CRA Annual Report to Parliament
2005-2006

More Ways to Serve You!
Pour vous servir encore mieux !

Canada Revenue Agency
Agence du revenu du Canada

RC4425 E RV06

Canada

Who We Are

The Canada Revenue Agency (CRA) plays a crucial role in the everyday lives of Canadians. Significant life changes—a new job, a business investment, even the birth of a child—involve interaction with the CRA. This unique relationship with Canadians means that the CRA must be able to deliver the programs and services that Canadians need, in a manner that is convenient and accessible, and that assures accuracy and fairness.

Employing approximately 44,000 people at 55 service sites across the country, the tax revenue that the CRA collects pays for the public goods and services that enhance the quality of life of all Canadians.

Accountability for our performance forms a common thread through every aspect of our operation. Our organization is guided by four enduring values—integrity, professionalism, respect, and cooperation. We also believe in fair and responsible enforcement, combined with service excellence for all. This ensures the integrity of Canada's tax system and benefit programs. By being accountable, fair, and service-oriented, we maintain the trust and confidence of Canadians. This enables us to maximize the full potential of our agency status, and to build on our services and programs in ways that will benefit Canadians and their governments into the future.

In December 2003, the Government announced the transfer of a large portion of the customs function of the Canada Customs and Revenue Agency (CCRA) to the newly-established Canada Border Services Agency. This transfer was completed on December 12, 2005, when Bill C-26, *An Act to establish the Canada Border Services Agency* received Royal Assent. As a result of this legislation, the CCRA has legally become the Canada Revenue Agency (CRA) and will continue its mandate under that name.

2005-2006 CRA at a Glance

- Collected close to $330 billion—averaging over $1.3 billion every working day, including:
  - Almost $52 billion on behalf of Canada's provinces, territories, and First Nations
  - Over $17 billion in Employment Insurance premiums
  - Nearly $30 billion on behalf of the Canada Pension Plan
- Distributed benefit and credit payments worth close to $14.7 billion to over 11 million entitled Canadian recipients
- Met or mostly met 86 of 89 results indicator targets
- Over $626 million in interest and penalties waived or cancelled under Fairness Provisions
- Over 1.5 million employers withheld and remitted $183 billion in source deductions—about 56% of the revenues we collected
- Over $10.4 billion in fiscal impact identified through measures for addressing non-compliance
- 141 program delivery and information exchange agreements with provinces, territories, First Nations, and other federal government organizations
- Approximately 25 million individual tax returns and 1.6 million corporate tax returns processed
- Almost 30 million tax-related visits to the CRA's Web site and over 50 million forms and publications downloaded
- More than 25 million public enquiries answered
- Almost 16,000 volunteers completed nearly 500,000 simple tax returns for low-income, eligible taxpayers
- More than 7,300 voluntary disclosures processed, with related assessments totalling over $330 million

Results Highlights

The CRA is committed to being accountable to Canadians about how well it administers Canada's tax and social benefit programs. We do this by setting meaningful performance goals and objectively measuring results in order to drive continuous improvement across our program activities. As shown in the chart below, in 2005-2006, we continued to achieve the majority of expected results that we established for our Tax Services and Benefit Programs strategic outcomes. At the same time, we identified some areas where results fell short of our expectations.

[illegible]

- More than 90% of individuals, employers, and GST/HST registrants continued to file tax returns on time.
- More than 90% of individuals paid their taxes on time.
- We sustained strong performance in issuing more than 99% of 75 million payments on time under the Canada Child Tax Benefit program, the GST/HST credit program, and related provincial and territorial benefit and credit programs.
- We leveraged our federal delivery infrastructure to administer eight more benefit programs and services for provinces, territories, and other government departments, bringing the total to 66.
- Our programs to address reporting non-compliance identified a total fiscal impact of over $10.4 billion, exceeding our estimate of $7.2 billion.
- We earned an A grade for "ideal compliance" under the *Access to Information Act* and the *Privacy Act* for responding within legislated timeframes.
- The CRA received five gold and three silver Government Technology Exhibition and Conference awards for information technology achievements.

[illegible]

- The level of tax debt grew from $18 billion in 2004-2005 to $18.5 billion.
- Our estimate of timely filing by taxable corporations has fallen to 85.9% which is below our target of 90%.
- The rate of timely payments by taxable corporations and of source deductions by employers has declined to 88.7%.
- Compliance rates continued to erode to 87.9% in 2005-2006 for individuals with tax credits/deductions not subject to third-party reporting.

Results Improvement Priorities

The CRA identifies areas where improvements are required and addresses them through various strategies and initiatives. In pursuing results improvements, the CRA balances its efforts to deliver changes with the requirement of maintaining the integrity of our current program delivery systems. Key improvement priorities include:

- We are continuing to focus on stemming the growth of the tax debt and implementing strategies to eventually reduce our inventory of receivables.
- Studies are being undertaken to determine the cause of certain trends such as the decrease in timely filing by taxable corporations, the decline in timely remittance of payments by taxable corporations and employer deductions, and the decrease in accuracy of claims by individuals with deductions and credits not subject to third-party reporting. Strategies will then be put in place to raise compliance rates to targeted levels in these three areas.

Message from the Minister

The Canada Revenue Agency (CRA) is a powerful driver for improving business productivity and lowering the cost of government. The CRA is our country's largest source of revenue for public administration on a federal, provincial, and territorial level; it is essential to the social and economic well-being of Canadians. From administering child benefits to collecting premiums for the Canada Pension Plan and Employment Insurance, almost every Canadian will be touched by the CRA throughout their lifetime.

Our success stems from our ability to provide a high level of excellence in an extensive range of services. For example, the CRA is at the forefront of meeting the increasing public demand for Internet services but, at the same time, we are mindful that many taxpayers and benefit recipients require more traditional forms of service.

The high levels of participation in Canada's tax system discussed in this report rest on the confidence of Canadians in our fairness, accountability and integrity. There are, however, key areas for improvement, primarily to maintain and improve upon the current avenues of rights and appeals and to make additional advances in CRA collections activities.

I am very impressed by the level of dedication of the CRA employees who serve Canadians across our great nation. As Minister of National Revenue, it is my privilege and honour to table the CRA's sixth Annual Report to Parliament, which demonstrates how the Agency fulfilled its mandate from April 2005 to March 2006.

Carol Skelton

The Honourable Carol Skelton, P.C., M.P.
Minister of National Revenue

Foreword by the Chair

The Board of Management brings private sector rigour and expertise to the Canada Revenue Agency (CRA) to maximize the benefits of the CRA's legislated autonomy in the management of its resources, services, property, personnel, and contracts. It plays a key role in guiding the CRA's strategy and ensuring management's plans are prudent and the risks are mitigated.

This past year has seen the development of a new, five-year corporate strategy known as "Agency 2010: A Blueprint for the Next Five Years" that will guide our progress and focus our efforts towards improving services to Canadians by simplifying tax and benefits administration and maintaining the trust of the people we serve. Focusing on the strategy's three key elements, Board members provided independent and constructive advice on how the CRA can best meet the challenges of strengthening its core program activities, on how the CRA can and should pursue growth in programs that are delivered to clients, and on how the CRA and the Board can work together to further refine the CRA's unique model of governance.

The oversight role played by the Board throughout the year has seen the Board add value through its direction and advice on a wide range of issues, including financial management, risk management, information technology, and human resources management, including succession planning. The Board's focus on these issues exemplifies the Board's commitment to its oversight role. The Board will continue to strengthen the rigour of its reviews so that its guidance and direction, in turn, enable CRA management to achieve more effective strategies.

Good governance has been a key focus of the Board throughout 2005-2006. The Board devoted a great deal of its time throughout the year towards improving and refining how it carries out its responsibilities, adopting a number of governance best practices and processes to enhance transparency and accountability.

Since becoming Chair of the CRA Board of Management in March 2005, it has been my pleasure and my privilege to work with many dedicated individuals who are committed to making the CRA a truly effective and efficient organization, one that is fully accountable to clients and to Canadians, and one that can build on past achievements and deliver results, now and for the future.

I am pleased to recommend this report to the Minister of National Revenue, the Honourable Carol Skelton, for tabling in Parliament.

Connie I. Roveto, ICD.D
Chair, Board of Management

Management's Representation and Statement of Responsibility for Performance Information

I submit for tabling in Parliament the 2005-2006 Annual Report (Departmental Performance Report) for the Canada Revenue Agency (CRA). The *Canada Revenue Agency Act* requires that an annual report be tabled in Parliament. This report must include information about the CRA's performance on objectives established in its Corporate Business Plan. It must also include an assessment by the Auditor General of Canada of the fairness and reliability of that information. It is not the role of the Auditor General of Canada to assess or comment on the CRA's actual performance.

This report has been prepared on the basis of reporting principles and other requirements in the *Guide to the Preparation of Part III of the 2005-2006 Estimates Reports on Plans and Priorities and Departmental Performance Reports* (Treasury Board of Canada Secretariat, June 2, 2006). The CRA maintains systems and practices that provide reasonable assurance that the results information presented in this report is accurate, comprehensive, and balanced. Some of the results information, however, is based on management's best estimates and judgments, and this is appropriately disclosed. The CRA is continuing to make progress on the development of robust measures and indicators for its strategic outcomes and expected results.

The CRA's Corporate Audit and Evaluation Branch conducts independent reviews of various aspects of the CRA's results. Also, the Board of Management's Audit Committee oversees management's responsibilities for maintaining internal controls and financial and results reporting systems; its members meet regularly with internal and external auditors. The Board of Management recommends the Annual Report to the Minister for approval.

This Annual Report includes the CRA's results information with the assessment of the Auditor General of Canada, as shown on page 11. This Annual Report also includes the CRA's audited financial statements, prepared on a full accrual accounting basis, and unaudited supplementary financial information for reporting to Parliament on the use of appropriations. Program activity spending is consistent with the reporting method for parliamentary appropriations, which is different from the full accrual basis of accounting used for the audited financial statements. A reconciliation of the expenditures reported under these two financial reporting methodologies is shown in Table 10 on page 156 under the financial statements section of this report.

Michel Dorais, ICD.D
Commissioner and Chief Executive Officer
Canada Revenue Agency

Table of Contents

CRA Annual Report to Parliament 2005-2006

Executive Summary 9

Auditor General's Assessment 11

Our 2005-2006 Results 13

- Introduction 13
- Achieving Our Tax Services Strategic Outcome 17
- Achieving Our Benefit Programs Strategic Outcome 28
- Our Program Activities 32
  - Client Assistance (PA1) 33
  - Assessment of Returns and Payment Processing (PA2) 38
  - Filing and Remittance Compliance (PA3) 44
  - Reporting Compliance (PA4) 49
  - Appeals (PA5) 54
  - Benefit Programs (PA6) 58
  - Corporate Services (PA7) 64

Conclusion by the Commissioner 67

Agency Governance and the Board of Management 69

Schedules 73

- Schedule A – The CRA Board of Management 73
- Schedule B – Other Items of Interest 76
- Schedule C – Overall Results against Service Standards 79
- Schedule D – Web Links for Additional Information 85
- Schedule E – Glossary 86
- Schedule F – Acronyms and Abbreviations 88

Executive Summary

The Canada Revenue Agency (CRA) collected almost $330 billion in 2005-2006 on behalf of Canada and its provincial and territorial governments (except Quebec) and certain First Nations. In addition, we delivered millions of dollars in income-based benefits, credits, and other services that contribute directly to the economic and social well-being of Canadians.

Under its mandate, the CRA has two strategic outcomes:

- taxpayers meet their obligations and Canada's revenue base is protected; and
- eligible families and individuals receive timely and correct benefit payments, contributing to the integrity of Canada's income security system.

Taxpayers meet their obligations and Canada's revenue base is protected

Canada's tax laws set out taxpayers' obligations; the CRA's fundamental objective and approach to tax administration is to have individuals and businesses comply with their obligations without our intervention. When any of these obligations are not met, our program activities to identify, correct, and deter non-compliance help protect Canada's revenue base.

Results against our strategic outcome measures for filing, registration, and remittance compliance lead us to conclude that the majority of Canadian individuals and businesses continued to participate voluntarily in Canada's tax system and to meet their obligations in 2005-2006:

- We met our 90% target for the timely filing of returns in three of four categories (i.e., for individuals, GST/HST registrants, and employers), while a slightly lower percentage of taxable corporations did so (86%), mostly meeting our expectation.
- We consider our estimate of 89.5% of Canadian businesses registered for the GST to have mostly met our 90% target.
- We met our 90% timely remittance target for individuals in 2005-2006. Our estimates that over 88% of payments from taxable corporations and employers were remitted on time mostly met our expectation. We are taking steps to address the general decline in our Remittance Compliance indicator results.

Reporting compliance results achieved in 2005-2006 provide the foundation for our assessment that, for the vast majority of Canadians, the incidence and magnitude of non-compliance are relatively low, although in total it is financially significant. Based largely on this assessment, we conclude that the CRA in 2005-2006 met this strategic outcome.

Our strong performance in 2005-2006 against the expected results related to our tax-related program activities lends additional support to our assertion that the CRA promoted compliance with taxpayer obligations and protected Canada's revenue base.

Eligible families and individuals receive timely and correct benefit payments, contributing to the integrity of Canada's income security system

This strategic outcome—and the measures we employ to evaluate our success—focus on the timeliness and correctness of the payments we issue, as well as on the contribution we make to provinces and territories as a key service provider. It is important that the payments we issue be timely and correct; for some recipients, tax-free benefit payments make up a substantial portion of their monthly income. We also conduct review activities to verify that benefits and credits are issued only to recipients who are eligible for them, and that they receive the correct amounts in accordance with applicable legislation. In addition, our mandated flexibilities as an agency and the adaptability of our systems enable us to leverage our federal delivery infrastructure to administer a range of ongoing benefits, one-time payment programs, and other services on behalf of provinces and territories.

In 2005-2006, we met our targets for timely and correct benefit payments:

- We issued over 99.9% of payments on time for the benefit programs that we administer.
- We estimate that over 95% of CCTB accounts had complete and accurate payment and account information.

In 2005-2006, we administered 66 different programs and services for provinces, territories, and other government departments, an increase from the 58 administered in 2004-2005. The fact that most jurisdictions have adopted the use of our delivery system strongly suggests that the leveraging of our federal delivery infrastructure is cost-effective compared with the theoretical cost of developing independent provincial and territorial administrative systems.

Agency Governance

Under our unique governance structure, our Board of Management has taken on many oversight and control functions: the organization and administration of the CRA; the management of its resources, services, property, personnel, and contracts; and the development of the Corporate Business Plan.

In 2005-2006 the Board provided oversight and guidance on issues such as succession planning, accounting and financial systems, infrastructure management, information technology, and performance reporting.

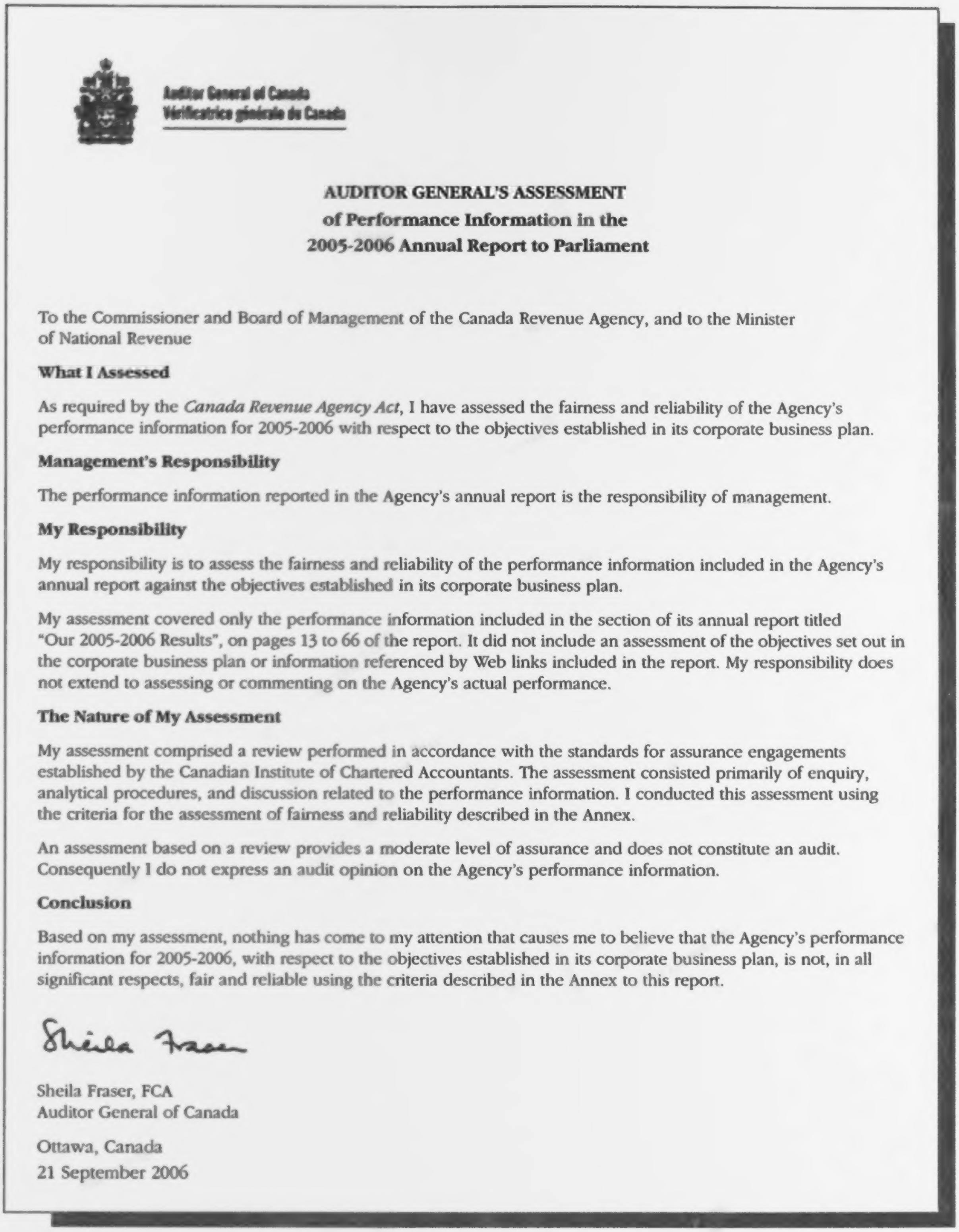
While the Board of Management is not directly involved in the delivery of tax and benefit programs, the high-level, strategic nature of the Board's work means that its influence is felt throughout our internal operations and external service delivery. Ultimately, the benefits of our effectively managed organization are felt by those we serve.

Conclusion

Overall, the results we have achieved in 2005-2006 demonstrate that we have again met our strategic outcomes for tax services and benefit programs. This success once again has demonstrated our capacity to achieve tangible and meaningful results for Canadians.

Our legislative flexibilities as an agency, our business expertise, and the adaptability of our automated systems enabled us to reliably deliver tax and benefit programs and services in 2005-2006—not only for the Government of Canada—but also for provinces, territories, and certain First Nations.

As the CRA moves into the next phase of its evolution, we will continue to take full advantage of our agency status as a service provider for all Canadians, adjusting our focus as necessary to serve Canada in the best way possible.



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR GENERAL'S ASSESSMENT
of Performance Information in the 2005-2006 Annual Report to Parliament

To the Commissioner and Board of Management of the Canada Revenue Agency, and to the Minister of National Revenue

What I Assessed

As required by the *Canada Revenue Agency Act*, I have assessed the fairness and reliability of the Agency's performance information for 2005-2006 with respect to the objectives established in its corporate business plan.

Management's Responsibility

The performance information reported in the Agency's annual report is the responsibility of management.

My Responsibility

My responsibility is to assess the fairness and reliability of the performance information included in the Agency's annual report against the objectives established in its corporate business plan.

My assessment covered only the performance information included in the section of its annual report titled "Our 2005-2006 Results", on pages 13 to 66 of the report. It did not include an assessment of the objectives set out in the corporate business plan or information referenced by Web links included in the report. My responsibility does not extend to assessing or commenting on the Agency's actual performance.

The Nature of My Assessment

My assessment comprised a review performed in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. The assessment consisted primarily of enquiry, analytical procedures, and discussion related to the performance information. I conducted this assessment using the criteria for the assessment of fairness and reliability described in the Annex.

An assessment based on a review provides a moderate level of assurance and does not constitute an audit. Consequently I do not express an audit opinion on the Agency's performance information.

Conclusion

Based on my assessment, nothing has come to my attention that causes me to believe that the Agency's performance information for 2005-2006, with respect to the objectives established in its corporate business plan, is not, in all significant respects, fair and reliable using the criteria described in the Annex to this report.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
21 September 2006

Annex

CRITERIA FOR THE ASSESSMENT OF FAIRNESS AND RELIABILITY
OFFICE OF THE AUDITOR GENERAL OF CANADA

The following criteria were developed to assess the fairness and reliability of the information about the Agency's performance with respect to the objectives in its corporate business plan. The key issue addressed is: Has the Agency reported fair and reliable performance information? Performance information is fair and reliable if it enables Parliament and the public to judge how well the entity or program in question is performing against the objectives it set out to accomplish.

Fairness

Relevant	The performance information reports in context, tangible, and important accomplishments against objectives and costs.
Meaningful	The performance information tells a clear performance story, describing expectations and benchmarks against which performance is compared.
Attributable	The performance information demonstrates why the program made a difference.
Balanced	A representative yet clear picture of the full range of performance is presented, which does not mislead the reader.

Reliability

Accurate	The performance information adequately reflects the facts.

These criteria were developed specifically for the assessment. The Canada Revenue Agency has acknowledged that they were suitable for the assessment.

More information on the criteria is available on our Web site at

http://www.oag-bvg.gc.ca/domino/other.nsf/html/200310frpi_e.html

Our 2005-2006 Results

Introduction

No other public organization touches the lives of more Canadians on a daily basis than the Canada Revenue Agency (CRA). The CRA exercises its mandate within a framework of laws enacted by Parliament as well as by provincial and territorial legislatures.

Under its mandate, the CRA has two strategic outcomes:

- taxpayers meet their obligations and Canada's revenue base is protected; and
- eligible families and individuals receive timely and correct benefit payments, contributing to the integrity of Canada's income security system.

Through the administration of legislation and various tax collection agreements, the CRA collects taxes annually on behalf of Canada and its provincial and territorial governments (except Quebec) and certain First Nations. In addition, pursuant to agreements with provinces, territories, and other government departments, the CRA delivers income-based benefits, credits, and other services that contribute directly to the economic and social well-being of Canadians.

Our priorities

The *CRA Act* requires us to report annually against the objectives set out in our Corporate Business Plan. The strategic priorities set out each year in our plan are developed in response to identified risks, and are established to maintain and—over time—improve the results we achieve related to our strategic outcomes.

The CRA's *Corporate Business Plan 2005-2006 to 2007-2008* established four strategic priorities:

- tax integrity,
- service to Canadians,
- business sustainability, and
- trust and integrity.

Tax Integrity

We implemented measures in 2005-2006 to increase our understanding of non-compliance generally and to address the identified risks of aggressive tax planning, the underground economy, and Goods and Services Tax/Harmonized Sales Tax (GST/HST) fraud. As well, we reallocated resources from lower priority areas to ensure that these higher risk areas were addressed. Further details concerning these three high risk areas can be found beginning on page 53 in our Reporting Compliance program activity section.

In addition, our assessment of key risks identified multiple compliance issues with respect to inventories of non-filers, employer non-compliance, and past performance in the resolution of tax debt. Our achievements during 2005-2006 related to this high risk area are detailed in our Filing and Remittance Compliance program activity discussion (page 44).

Service to Canadians

The service agenda is a top priority of the Government of Canada; quality service is the foundation for enabling taxpayers to meet their obligations, thereby fostering compliance. Since enhancing service is critical to the achievement of our tax compliance and benefit delivery objectives, building on our service track record is a key priority for us.

In furtherance of our strategy to increase taxpayer self-service, we continued during 2005-2006 to change our approach to in-person service by providing agent-assisted service by appointment for taxpayers with complex enquiries and for those not able to use the available self-serve services. This approach will ensure that the right agent is available to meet taxpayer needs. In addition, our agents are taking an active role in educating and assisting taxpayers who come to our offices about how to use our electronic services, which complement our telephone and in-person enquiry services.

Details concerning our achievements during 2005-2006 related to this priority are discussed in our Client Assistance (page 33) and Assessment of Returns and Payment Processing program activity discussions (page 38).

Business Sustainability

This priority was established to ensure that we have the capacity to continue to deliver tax services and benefit programs activities at the level of service expected by taxpayers and benefit recipients. Since the management of the issues related to this priority span the entire CRA, details on our achievements related to this priority in 2005-2006 are included in our discussion of Corporate Services on page 64.

Trust and Integrity

This priority is of special importance to the CRA due to the extent of our public dealings; our collection, accounting, and disbursement of public funds; and the critical place of trust and fairness in supporting the integrity of Canada's tax and social systems. Like Business Sustainability above, we manage issues related to this priority at the corporate level in the CRA. Page 66 in our Corporate Services section provides an overview of our achievements during 2005-2006 in this regard.

Reporting Our Results

This *CRA Annual Report to Parliament 2005-2006* provides a comprehensive reporting of our results through the use of identified measures. Our assessment of these results is presented in a structured way in accordance with our Strategic Planning and Reporting Framework, illustrated on page 15. This framework is based on the Management, Resources and Results Structure (MRRS) established by the Treasury Board of Canada Secretariat on April 1, 2005.

This framework organizes our discussions into two levels. First, we use our strategic outcome measures to structure the discussion of the results we achieved related to our two strategic outcomes. Links are also made to the corresponding program activity section, where more detail is provided on key results achieved at the program activity level in support of our strategic outcomes.

Second, beginning on page 32, we structure our discussion by program activity—reporting against each of our expected results—and rate our achievements against the key indicators and targets set out in our *Corporate Business Plan 2005-2006 to 2007-2008*. We also reinforce the linkage between each program activity and the strategic outcome to which it contributes.

In addition to focusing on our strategic outcomes and supporting program activities, to complete the picture we are introducing a new section devoted to CRA governance (page 69). This section highlights the achievements of our Board of Management and explains how these achievements have had an impact on our results.

Strategic Planning and Reporting Framework

[illegible]	
To administer tax, benefits and related programs and to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians[1]	
[illegible]	
Tax Services	**Benefit Programs**
Taxpayers meet their obligations and Canada's revenue base is protected – page 17	Eligible families and individuals receive timely and correct benefit payments, contributing to the integrity of Canada's income security system – page 28
[illegible]	
Filing Compliance – page 19	Payment timeliness – page 30
Registration Compliance – page 20	Benefit payments are correct – page 30
Remittance Compliance – page 22	Provinces, territories and other government departments rely on the CRA as a key service provider - page 30
Reporting Compliance – page 24	
[illegible]	
Client Assistance (PA1) – page 33	Benefit Programs (PA6) – page 58
Assessment of Returns and Payment Processing (PA2) – page 38	
Filing and Remittance Compliance (PA3) – page 44	
Reporting Compliance (PA4) – page 49	
Appeals (PA5) – page 54	
[illegible]	
Clients receive timely, accurate, and accessible information – page 34	Benefit recipients receive timely, accurate, and accessible information – page 59
Assessment and payment processing are timely and accurate – page 39	Eligibility determination and payment processing are timely and accurate – page 59
Non-compliance is identified and addressed – pages 39, 45, and 50	Non-compliance is identified and addressed – page 59
Tax debt is resolved on a timely basis and is within targeted levels – page 45	
Taxpayers receive an impartial and timely review of contested decisions – page 55	

[illegible]
Human Resources
Finance and Administration
Information Technology
Public Affairs
Agency Management
Corporate Audit and Program Evaluation
Policy and Intergovernmental Affairs

---

[1] Our mission statement was adjusted in early 2006 to align with the Agency 2010 vision introduced in our *Corporate Business Plan 2006-2007 to 2008-2009.*

Rating our results

We use qualitative and quantitative indicators to determine the results achieved toward our strategic outcomes and expected results. Survey results, statistical sampling, and operational data inform our assessments. Although we have made progress in developing robust indicators for each of our strategic outcome measures and expected results, we need to make some of them more concrete and measurable. In these cases, we use the best information we have to make our assessment.

We also rate our strategic results and those of our program activities in terms of whether the targets identified in our *Corporate Business Plan 2005-2006 to 2007-2008* were met, mostly met, or not met. The table below, Results Ratings, defines these terms.

Where additional indicators are needed to fully report on our strategic measures or our expected results, they have been included.

Our targets identify the percentage or degree of expected attainment of a performance level. Targets are established by CRA management through analysis of operational realities and infrastructure, historical performance, the complexity of the work involved, and the expectations of Canadians. Generally speaking, where targets are numeric in nature, they are listed beside each indicator; otherwise (e.g., where we are monitoring a trend), we have considered targets to be not applicable (N/A). Where results for an indicator are not available for 2005-2006, the indicator has been marked as such ('n/a') and explained with a footnote.

Results Ratings

Results Ratings	
Met	Our results **met** our expectations.
Mostly met	While the results **met most** of our expectations **some gaps** exist.
Not met	**Significant gaps** exist in results and **most or key expectations were not met.**

Our data quality ratings are provided to indicate whether our assessments are based on good, reasonable, or weak data (see definitions below). Generally, our data collection systems provide reliable information.

Data Quality Ratings

Data Quality Ratings	
Good	Results rating based on management judgment **supported by an appropriate level of accurate information** (including management estimates) obtained from reliable sources or methods.
Reasonable	Results rating based on management judgment **supported, in most cases, by an appropriate level of accurate information** (including management estimates) obtained from reliable sources or methods.
Weak	**Significant gaps in robustness of results information;** results rating based on management judgment **supported by entirely or predominantly qualitative information** from informal sources or methods.

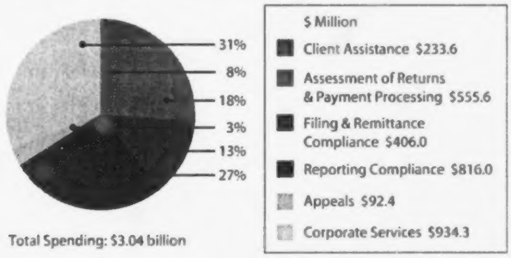
Achieving Our Tax Services Strategic Outcome

Taxpayers meet their obligations and Canada's revenue base is protected

In Canada, taxes pay for virtually all public goods and services that enhance our quality of life. For this reason, ensuring that taxpayers meet their obligations and protecting Canada's revenue base is our primary focus. We administer income tax programs for governments across Canada and sales tax for three provinces. We also verify taxpayer income levels in support of a wide variety of federal and provincial programs, ranging from student loans to health care initiatives.

In 2005-2006, spending for Tax Services totalled $3.04 billion (35,905 full-time equivalents [FTEs]).

Figure 1 Spending for Tax Services



Data quality: Good

The CRA is not alone in ensuring that taxpayers meet their obligations and protecting the revenue base. We are aided by legislation that reduces the risks of non-compliance; for example, the *Income Tax Act* requires employers to withhold and remit deductions at source. Financial institutions offer convenient, accessible services that enable taxpayers to receive and deposit refunds and remit tax payments on time. We also work with international tax administrations and organizations to share expertise and research results, and to discuss emerging compliance issues.

Our approach to achieving this strategic outcome

Canada's tax laws set out taxpayers' obligations; the CRA's fundamental objective and approach to tax administration is to have individuals and businesses comply with their obligations without our intervention. The underlying belief is that most individuals and businesses are willing to comply by correctly self-assessing their tax situation. Therefore, we carry out program activities to proactively provide taxpayers with the information and forms they need—and offer a wide variety of accessibility options for filing and remitting—to allow them to comply with their tax obligations.

Compliance with Canada's tax laws brings with it the obligations to:

- file returns on time;
- register as required under the law in specific circumstances (for example, for the GST);
- pay all amounts when due; and
- report complete and accurate information to determine tax liability.

Non-compliance occurs when any of these obligations are not met. The CRA carries out program activities both to promote compliance and to identify, correct, and deter non-compliance.

To promote compliance, we reach out to communities to raise their awareness of tax administration and to enhance the level of tax knowledge. We provide high quality information at an early stage, using multiple formats for publications and forms, aligning information with the target audience, and continually improving our information services. We respond—primarily by telephone, but also in person or in writing—to enquiries on the filing and status of tax returns and refunds; explain assessment notices; and answer tax questions. Our comprehensive Web site provides individuals with dependable information. Our approach to promoting compliance is aligned with the Government of Canada's Service Vision for Canadians, and includes our work on citizen-focused service standards (see 'Schedule C' on page 79 for a complete list of our public service standard results for 2005-2006).

The availability of a dispute resolution process is integral to our tax administration. It fosters confidence in the fairness of our self-assessment system, which encourages taxpayers to meet their obligations. When taxpayers do not agree with us on a tax or penalty matter, they are entitled to a formal, objective review of their file. Less than 0.3% of the approximately 30 million income tax and commodity returns filed annually are ever appealed and, of those, we resolve most administratively (i.e., without resorting to the courts). Details on our dispute resolution activities are found on page 54.

Our program activities to identify, correct, and deter non-compliance are designed to protect Canada's revenue base and ensure that Canadians pay their required share of taxes. We have in place a robust set of checks and balances that include both preventive and detective controls, notably:

- source deductions;
- third-party information slip and document matching;
- risk profiling and scoring;
- compliance research;
- examination;
- audits; and
- investigations.

We also have an active collections program to obtain payment of tax debt.

Our achievements related to all of our program activities are discussed in detail beginning on page 32.

We measure and assess our results against our Tax Services strategic outcome under four headings that equate to the broad categories of taxpayer obligations:

- **Filing Compliance** indicators estimate the proportion of taxpayers that file their returns on time;
- our **Registration Compliance** indicator estimates the proportion of Canadian businesses that have registered as required by law to collect the GST/HST;
- **Remittance Compliance** indicators estimate the proportion of taxpayers that paid amounts due on time; and
- **Reporting Compliance** indicators contribute to our assessment of the degree to which taxpayers report complete and accurate information to allow for the determination of their liability for tax.

Compliance is sensitive to many factors, such as perception of government, values held by society, the economy, legislation, as well as the public's perception of our tax system. As such, the results achieved against our strategic outcome measures not only demonstrate the effectiveness of our approach to fostering compliance with tax laws, but also reflect the willingness of taxpayers to meet their obligations without our intervention.

The following sections discuss the results achieved in 2005-2006 for our key strategic outcome indicators. Additionally, we have included a brief explanation of what we do to facilitate these results, and what we do to address non-compliance. In both cases, links are made to the relevant program activity sections later in this report where further details can be found concerning our achievements in 2005-2006 against our expected results.

Filing Compliance – Rates of filing on time without direct intervention by the CRA

		Performance rating	Data quality
[illegible]	2005-2006	Met	Good
	2004-2005	Met	Good

Our Indicators

		Target	2002-2003	2003-2004	2004-2005	2005-2006
✓	Individuals[1]	90%	93.1%	92.6%	92.6%	92.8%
☑	Corporations[2] – taxable incorporated businesses	90%	87.2%	87.1%	86.0%	85.9%
✓	Businesses[3] – GST/HST returns	90%	91.6%	92.0%	92.6%	91.8%
✓	Employers – T4 returns	90%	96.4%	96.5%	94.5%	94.5%

[1] This estimate uses census data from Statistics Canada.

[2] Source: CRA T2 corporate tax database.

[3] Prior year figures have been restated as a result of improved estimates.

✓ Met	☑ Mostly Met	✗ Not Met

As the basis for establishing each filer's tax liability, a tax return is the first and most important step in the compliance process.

> In 2005-2006, more than 90% of individuals, GST registrants, and employers and almost 86% of taxable corporations filed tax returns on time.

Individuals

Our 2005-2006 estimates show that 92.8% of all Canadian individuals 18 years of age and older filed an individual return on time for the 2004 tax year. This result met our 90% expectation. The rate of individual filing compliance is especially important given that individuals make up a large proportion of Canada's tax base.

Corporations

Of an estimated 1.5 million incorporated Canadian businesses, almost 86% of taxable corporations filed an income tax return on time during 2005-2006, which continues to be a few percentage points short of our 90% goal. For this reason, we consider this result to have mostly met our expectation.

It is notable that the timely filing of income tax returns by taxable corporations is on a slight downward trend. We are taking steps to assess the impact of this trend and to identify any possible causes for it.

GST Registrants

The trend in timely filing of GST/HST returns by businesses remains essentially unchanged from prior years. In 2005-2006, we again met our 90% expectation when an estimated 91.8% of GST/HST returns were filed on time.

Employers

In 2005-2006, 94.5% of employers filed their T4 returns on time, an estimate that is unchanged from last year and well within our 90% expectation.

Facilitating timely filing compliance

While we recognize that taxpayers are motivated by multiple factors to file their returns, we believe the rates of filing compliance are positively affected by access to information and tools that encourage taxpayers to meet their obligations. We work hard to identify ways to simplify the filing process while ensuring that essential information is collected; we consider the continued growth in the popularity of our electronic filing options this past year as evidence of the success of our approach (see 'Electronic Processing' on page 41).

For more details on how our actions helped taxpayers comply with their filing obligations in 2005-2006, please refer to the results discussed beginning on page 33 relating to our Client Assistance (PA1) and on page 38 concerning our Assessment of Returns and Payment Processing (PA2) program activities.

Addressing filing non-compliance

We use filed returns to determine tax owing; entitlement for benefits; and for broader purposes, such as tax policy development and reporting on Canada's economic progress. For these reasons, filing compliance is vital.

When taxpayers do not file a return, we use a variety of data sources to identify high-risk non-filer cases based on potential for revenue loss. More details regarding our Non-Filer Program are on page 47.

Registration Compliance – Rates of registration for the GST/HST

		Performance rating	Data quality
[illegible]	**2005-2006**	**Mostly Met**	**Good**
	2004-2005	Mostly Met	Good

Our Indicators[1]

		Target	2002-2003	2003-2004	2004-2005	2005-2006
☑	Canadian businesses[2]	90%	84.6%	86.6%	88.8%	89.5%

[1] We are developing compliance indicators for both registered charities and registered plans.

[2] This estimate uses data from Statistics Canada.

✓ Met | ☑ Mostly Met | ✗ Not Met

Like individuals who obtain a social insurance number through Service Canada, organizations subject to specific provisions of the law must register their businesses. Registration—and assignment, where applicable, of a Business Number—allows us to identify the organization and establish its compliance profile (including its liability to pay tax).

Registration with the Canada Revenue Agency can be divided into two[1] major categories:

- registration for corporations and for businesses required (or qualified[2]) to collect and remit the goods and services tax—and, where applicable, the harmonized sales tax—and receive available input tax credits; and,
- registration of qualifying organizations such as charities or pension and other deferred income plans pursuant to specific provisions of the *Income Tax Act*.

> Our estimate of nearly 90% indicates that a high degree of GST/HST registration compliance was achieved in 2005-2006.

Canadian businesses

Although we came very close to achieving our 90% target for GST/HST registration compliance in 2005-2006, our assessment is that we mostly met our expectation. We are encouraged, however, by the upward trend in our estimated results over the past four years.

---

1. There is no risk related to registration compliance in regard to businesses (including corporations) for income tax purposes.
2. Generally speaking, businesses are not required to register under the *Excise Tax Act* if, for example, their annual revenues do not exceed $30,000. Regardless of whether they may have taxable sales of less than $30,000, certain businesses engaged in GST/HST taxable activities may choose to voluntarily register for GST/HST, thus enabling them to benefit from the input tax credits.

Facilitating registration compliance

As with filing compliance, we believe the rates of registration compliance are positively influenced by access to the information and tools—such as those available on our Web site—that allow taxpayers to meet their registration obligations. The performance results discussed beginning on page 33 for our Client Assistance (PA1) and on page 38 for our Assessment of Returns and Payment Processing (PA2) program activities demonstrate how our actions in 2005-2006 influenced businesses to comply with their registration obligations.

Addressing registration non-compliance

Registration non-compliance occurs when businesses required to collect and remit GST/HST do not register. Using a variety of identification techniques (such as community visits), our Non-Registrant Program seeks to ensure that all those who are required to register for the GST/HST meet their obligations. Information concerning this activity is on page 47.

Registered Charities

Charities receive tens of billions of dollars annually in donations from individuals and organizations. Audits of registered charities have revealed that most charities are complying with the *Income Tax Act*, although some charities erred because they misunderstood the requirements of the law. In a few cases, the contraventions were so serious they resulted in the revocation of the registered charitable status of the organizations involved. These findings—along with recent developments such as the passing of the *Charities Registration (Security Information) Act*—have resulted in a move to develop compliance indicators for registered charities. We will report on these indicators within the next few years.

Our telephone service activities related to registered charities are discussed on pages 35 and 36.

Registered Plans

Registered plans are important economic, fiscal, and social instruments that benefit millions of Canadians by permitting deferral of tax on savings for retirement and post-secondary education. To better monitor this industry and more accurately report on the $1.25 trillion currently invested and tax-deferred in the various registered plans, we are developing compliance indicators on which we will report in the future.

Results related to our public service standards for specific registered plans activities can be found on page 79.

Remittance Compliance – Rates of timely payments without direct intervention by the CRA

	Performance rating	Data quality
2005-2006	Mostly Met	Good
[illegible]	[illegible]	[illegible]

Our Indicators

		Target	2002-2003	2003-2004	2004-2005	2005-2006
✓	Individuals	90%	93.1%	94.3%	93.2%	93.1%
☑	Taxable corporations	90%	93.1%	91.0%	90.7%	88.7%
✓	Businesses that collected GST/HST[1]	N/A	2.5 million collected $44 billion	2.6 million collected $44 billion	2.7 million collected $47 billion	2.8 million collected $52 billion
☑	Employers[2]	90%	90.4%	90.5%	89.2%	88.7%
☑	Trend in ratio of outstanding tax debt to gross cash receipts	N/A	5.31%	5.54%	5.43%	5.62%

[1] Businesses based in Quebec register with the *Ministère du Revenu du Québec*, which administers GST on behalf of the CRA and remits the net amount due to the CRA.

[2] Prior year figures have been restated as a result of improved estimates.

✓ Met	☑ Mostly Met	✗ Not Met

In 2005-2006, the CRA collected almost $330 billion, the large majority of which came from:

- individuals and corporations that made income tax payments;
- businesses that collected and remitted GST/HST; and
- employers that deducted and remitted at-source on behalf of their employees.

Although almost all reported taxes were paid on time, approximately $500 million was added to our total tax debt inventory in 2005-2006, bringing the total to $18.5 billion.

> In 2005-2006, more than 90% of individuals and almost 89% of employers remitted payments on time, while nearly 89% of remittances from taxable corporations were made on time.

Individuals

For remittances not deducted at source, our estimates show that 93.1% of individual filers paid on time for the 2005 tax year, thereby meeting our target.

Corporations

Among taxable corporations, we estimate that 88.7% of total reported taxes were remitted on time, indicating high levels of compliance in this sector and mostly meeting our target.

As with the filing of income tax returns, timely remittances by taxable corporations is on a slight downward trend. We are taking steps to assess the impact of this trend and to identify any potential causes for it.

GST Registrants

Businesses are also an important contributor to the level of remittance compliance in their collection and remittance of GST/HST. In 2005-2006, businesses collected almost $52 billion in GST/HST, which represents a significant portion of the total amount of tax collected during the same period.

Although this figure does not directly demonstrate the level of remittance compliance by businesses, the generally consistent upward trend in numbers of businesses registered and the total collected provides assurance that businesses are remitting GST/HST as required by law. The limitations of our current automated system do not allow us to estimate remittance compliance for this revenue stream; we anticipate that we will be better able to measure GST/HST remittance compliance within the next few years when our GST redesign initiative is completed.

Employers

We estimate that, in 2005-2006, almost 89% of employers remitted the taxes they withheld on behalf of their employees by the due date. This estimate is slightly less than our 90% goal and mostly met our expectation.

Employers play a vital role in maintaining remittance compliance among the large number of individual taxpayers by:

- making payroll deductions,
- remitting amounts that are deemed "in trust for the Receiver General for Canada," and
- reporting employment-related earnings to the government.

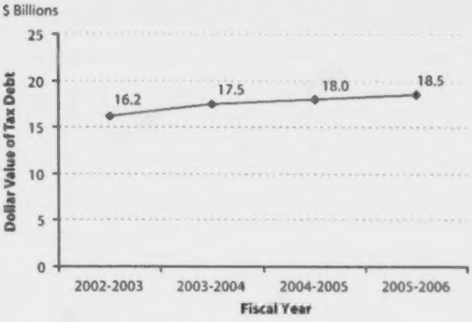
Of the total collected by the CRA last year, approximately 56% was remitted by employers through source deductions. Since remittances held in trust by employers are key to Canada's revenue base, the slight downward trend in remittance compliance by employers is of concern to us. We are currently assessing the impact of this trend and investigating ways to identify possible causes for it.

Ratio of Outstanding Tax Debt to Gross Cash Receipts

While we do not establish a target for the ratio of tax debt to gross cash receipts, it is a useful trend indicator. In 2005-2006, this ratio increased slightly to 5.62% from the 5.43% level in the previous year, which mostly met our expectation.

In recent years, our tax debt inventory has seen an annual rise, reaching $18.5 billion in 2005-2006 (Figure 2). The continued growth in our tax debt inventory was identified as a key compliance risk area within our Tax Integrity priority in our *Corporate Business Plan 2005-2006 to 2007-2008*.

Figure 2 Total Tax Debt Inventory



Data quality: Good

Despite the fact that we experienced year-over-year increases in production and cash collections, as well as a decrease in the Allowance for Doubtful Accounts (ADA) rate (see page 125 for more information on the ADA), these trends are cause for concern at the CRA. As discussed beginning on page 44, stemming the growth in tax debt is a goal of the CRA.

Facilitating timely remittance compliance

Along with the penalty and interest provisions of the various pieces of legislation administered by the CRA, we believe remittance compliance rates are influenced in a positive way by our initiatives to provide taxpayers with the increased convenience of—and accessibility to—electronic payment technology.

The performance results discussed beginning on page 38 relating to our Assessment of Returns and Payment Processing (PA2) program activity demonstrate how our actions in 2005-2006 helped taxpayers comply in a timely manner with their remittance obligations.

Addressing remittance non-compliance

Remittance non-compliance occurs when taxes owed are not paid when they become due. In 2005-2006, less than 3.5% of all assessed taxes were referred to our Accounts Receivable Program for collection action. Information concerning this program can be found on page 46.

On August 1, 2005, we became responsible for the collection of debts owed to various programs of Social Development Canada and Human Resources and Skills Development Canada. We recently launched our Revenue Collections Business Transformation Initiative to better position the CRA to integrate the collections workloads of other government departments. Over the past year, we improved our computer systems and developed a framework for researching our remittance compliance data.

Reporting Compliance

		Performance rating	Data quality
[illegible]	2005-2006	Met	Reasonable
	[illegible]	[illegible]	[illegible]

Our Indicators

		Target	2002	2003	2004	2005
✓	Trend in growth in personal income reported to the CRA compared to personal income estimated by Statistics Canada	Tracks favourably	Yes	Yes	Yes	n/a
✓	Trend in growth in net GST collected compared to retail sales and personal expenditures	Tracks favourably	Yes	Yes	Yes	Yes
✓	Trend in percentage of total cash receipts resulting from deductions at source by employers and third-party reporting	N/A	77.4%	76.7%	74.7%	74.3%
✓	Fiscal impact of CRA compliance activities	$7.2 billion	$9.2 billion	$10.2 billion	$10.2 billion	$10.4 billion
☑	Compliance rate for individuals reporting key tax credits and deductions not subject to third-party reporting	90%	91.1%	89.9%	88.9%	87.9%
✓	Prepayment compliance rate for GST/HST refund claims	90%	N/A	92.7%	92.6%	92.2%

✓ Met	☑ Mostly Met	✗ Not Met

Canadian taxpayers are required to self-assess and report their tax obligations to the CRA. This means reporting all taxable income and other information required under the law. It also means claiming only allowable expenses, deductions, and credits in determining one's tax liability.

Based on the results discussed earlier related to filing registration, and remittance compliance, it is our overall assessment that the majority of Canadian individuals and businesses continued to participate voluntarily in Canada's tax system and to meet their obligations in 2005-2006.

Our Compliance Measurement Framework (CMF) is a tool we use to monitor and measure compliance in order to evaluate and refine our approaches to addressing compliance issues. Included in the CMF are indicators that are derived from a variety of external and internal sources, such as macro indicators and the results from program activities.

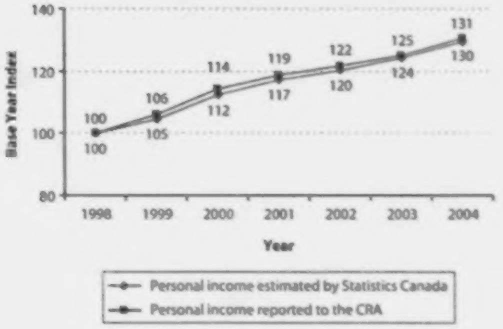
> Our assessment is that, for the vast majority of Canadians, the incidence and magnitude of non-compliance are relatively low, although in total it is financially significant.

In addition to the important indicators for filing, registration, and remittance compliance discussed earlier, other examples of key indicators in the Compliance Measurement Framework are discussed below.

Macro indicators

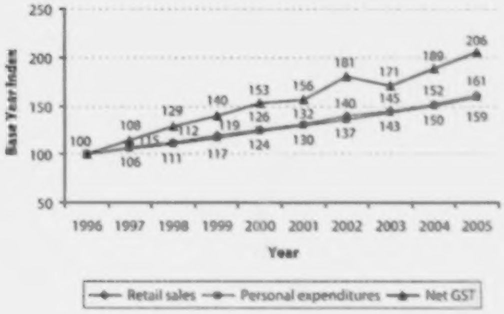
Macro economic analyses are performed by the CRA to evaluate reporting compliance trends and to determine whether the trends in economic data may give an early indication of a change in the levels of compliance. For example, personal income reported to the CRA tracks favourably relative to personal income estimated by Statistics Canada (Figure 3) and net GST/HST collected tracks consistently with retail sales and personal expenditures on goods and services (Figure 4).

Figure 3 Growth in Personal Income Reported to the CRA Compared to Personal Income Estimated by Statistics Canada (1998 = 100)



Data quality: Good

Figure 4 Growth in Net GST Collected Compared to Retail Sales and Personal Expenditures (1996 =100)



Data quality: Good

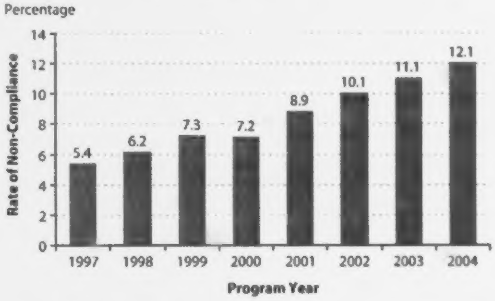
Percentage of total cash receipts resulting from deductions at source by employers and third-party reporting

Canada's tax administration system is greatly aided by employers—who are responsible for a significant portion of the total tax collected by the CRA—and other third-party reporting. Both play a vital role in maintaining compliance among the 25 million Canadian individual taxpayers. Our estimates show that about 74% of total cash receipts in 2005-2006 resulted from deductions at source by employers and third-party reporting. These estimates, coupled with the results of our post-assessment tax review programs (page 42), give us confidence that there is a high level of reporting compliance related to income from employment and other sources subject to third-party reporting.

Individuals reporting key tax credits and deductions not subject to third-party reporting – Our analysis of tax returns for individuals shows that the majority of claims for key deductions and credits not subject to third-party reporting are correct, as demonstrated by our random samples conducted through our Processing Review Program. The reporting compliance levels for this indicator, however, have been declining over the past number of years (Figure 5). To address this issue with appropriate measures, studies are being conducted to determine possible reasons for the decline (for example, whether the change is attributable to specific deductions and credits, differences in taxpayer characteristics, or is a general increase in non-compliance).

While we continue to analyze the potential reasons for the rising incidence of taxpayer errors, we consider these results to have mostly met our expectation of a 90% reporting compliance rate for the Processing Review Program.

Figure 5 Estimated Rate of Individual Income Tax Non-Compliance



Data quality: Good

GST/HST Prepayment Compliance Rate – GST/HST fraud is one of the key compliance risks identified under our tax integrity priority in our

Corporate Business Plan (see page 13). In response to this risk, we put in place our GST/HST Prepayment Program to:

- identify credit returns that have a high risk of reporting non-compliance prior to payment;
- review these claims individually; and
- decide to either approve the claim without further review or to assign it for prepayment audit.

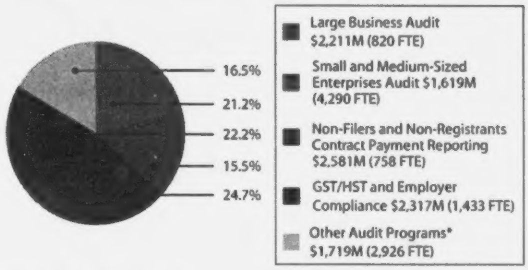
The results of this program are demonstrated by using the GST/HST prepayment compliance ratio, which is the percentage of GST/HST refunds approved per total GST/HST refunds claimed. We use this percentage as an indicator of the degree to which registrants are meeting their legislated reporting obligations.

For the 2004 tax year, registrants achieved a GST/HST prepayment compliance rate of 92.2% against our target of 90%, which is consistent with results achieved in previous years.

Fiscal Impact

While the above indicators inform our assessment that reporting non-compliance is generally at relatively low levels, the results of our program activities discussed on pages 48 and 52 demonstrate that such non-compliance is, in total, financially significant. In 2005-2006, our programs to address reporting non-compliance identified a total fiscal impact of over $10.4 billion[3] (Figure 6). This total exceeded our estimate of $7.2 billion for 2005-2006.

Figure 6 Total Fiscal Impact



Data quality: Good

* Other Audit Programs include tax avoidance, international tax programs, tax incentives, and investigations.

Facilitating reporting compliance

Through activities such as outreach, we aim to ensure that the reporting of taxes is as straightforward and convenient as possible, in order to foster high levels of reporting compliance and assist taxpayers in meeting their obligations under the law. The performance results discussed beginning on page 33 relating to our Client Assistance program activity (PA1) provide further details regarding how our actions in 2005-2006 helped taxpayers comply without further intervention on our part, with their reporting obligations.

Addressing reporting non-compliance

Non-compliance with reporting requirements takes many forms, ranging from errors and unintentional omissions to wilful tax evasion; a small minority of people will choose not to comply with the law. We manage our approach to non-compliance through a range of different programs tailored to the characteristics of specific groups. The CRA carries out preventative and detective activities using a mix of compliance tools to protect the revenue base from non-compliance. Depending on the nature of the non-compliance, our approach may involve outreach, audits, enforcement, or a combination of these elements.

---

[3] We recognize that a portion of our fiscal impact results will be overturned on appeal or will be uncollectible.

Three of our program activities discuss actions taken in 2005-2006 to identify and address non-compliance:

- Assessment of Returns and Payment Processing (PA2) on page 38;
- Filing and Remittance Compliance (PA3) on page 44; and
- Reporting Compliance (PA4) on page 49.

Conclusion

The results we have achieved in 2005-2006 against our strategic outcome measures for filing, registration, and remittance compliance lead us to conclude that the majority of Canadian individuals and businesses continued to participate voluntarily in Canada's tax system and to meet their obligations this past year.

The reporting compliance results we have achieved in 2005-2006 provide the foundation for our overall assessment that, for the vast majority of Canadians, the incidence and magnitude of non-compliance are relatively low, although in total it is financially significant. Based on this assessment, we conclude that the CRA in 2005-2006 met its strategic outcome: ***Taxpayers meet their obligations and Canada's revenue base is protected***.

The strong performance against our tax-related program activities discussed beginning on page 33 lends additional support to our conclusion that the CRA promoted compliance with taxpayer obligations and protected Canada's revenue base in 2005-2006.

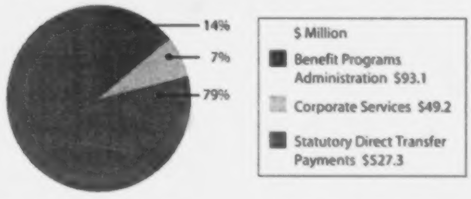
Achieving Our Benefit Programs Strategic Outcome

Eligible families and individuals receive timely and correct benefit payments, contributing to the integrity of Canada's income security system

With the introduction of the Goods and Services Tax Credit program in 1989, and the Child Tax Benefit program in 1993, the CRA became the federal delivery agent for non-taxable, income-based benefits and credits to individuals and families.

Spending for Benefit Programs in 2005-2006 totalled $669.5 million (1,677 FTEs).

Figure 7 Spending for Benefit Services



Total Spending: $669.5 million

Data quality: Good

Our approach to achieving this strategic outcome

Our work in achieving our strategic outcome plays an important role in the efforts of federal, provincial, and territorial governments to provide support to families and children and to help reduce the depth of child poverty. In addition to the Disability Tax Credit, under which entitlements are delivered at the time of processing individual tax returns rather than as direct cash payments, the CRA currently administers three federal programs that issue benefit payments:

- the Canada Child Tax Benefit (CCTB);
- the GST/HST credit; and
- Children's Special Allowances (CSA).

In addition, our mandated flexibilities as an agency and the adaptability of our systems enable us to leverage our federal delivery infrastructure to administer a range of ongoing benefits, one-time payment programs, and other services on behalf of provinces and territories.

We believe Canadians are more likely to access benefit programs if they are informed about them and clearly understand what they need to do to meet eligibility requirements and receive their entitlements. The CRA provides benefit recipients with information, tools, and services that are accessible through a variety of channels. By doing this, we enable recipients to give us the information we need to register them on our benefit rolls and help to ensure that they receive timely and accurate benefit payments.

We use a variety of communication tools to attempt to maintain awareness of program requirements and take-up. Our most important vehicle is the CCTB application form; it is available on our Web site and it is also intended to be included in the kits that hospitals across the country give to new parents.

Ensuring timely and correct payments for millions of recipients, based on the accurate determination of program eligibility takes continuous planning and effort; it is not automatic. Changes to our payment processing systems are thoroughly planned, monitored and tested before implementation. New or revised programs are carefully negotiated with program owners to ensure that their requirements can be accomplished without interrupting existing program delivery commitments.

It is important that the payments we issue be timely and correct. For some recipients, tax-free benefit payments make up a substantial portion of their monthly income. For example, although the CCTB was paid to over 80% of families as of June 2005, the maximum annual benefit goes only to those with net income below $21,480. Over 933,000 families—almost

29% of all families receiving the CCTB—receive the maximum benefit. For these low-income families, receiving the expected payment on time (on the 20th of each month) is essential if immediate household expenses are to be paid.

We believe that the majority of potential recipients apply for benefit programs only when they are likely to qualify. To ensure this is so, we conduct review activities to verify that benefits and credits are issued only to recipients who are eligible for them, and that they receive the correct amounts in accordance with applicable legislation.

Our validation work targets accounts that have been identified as high-risk for potential overpayments—for example, where we note inconsistencies in reported marital status or other information in our records. By reviewing 5% of CCTB accounts, we demonstrate a credible enforcement presence to benefit recipients. We devote resources to further developing our techniques and monitoring tools to better select accounts for review, with a view both to recouping overpayments and identifying instances where benefits have been underpaid. We continue to improve our knowledge of non-compliance and our ability to target areas of highest risk.

When our efforts are successful, eligible recipients can count on receiving the right benefit at the right time, and on knowing where the benefit came from and why.

In using the federal delivery infrastructure to administer a range of services on behalf of provinces and territories, our objectives are to improve service and eliminate duplication. For example, parents need to file only one application to be considered for income-based child benefits from both levels of government. Individuals need only "tick the box" when they complete their annual tax and benefit return to be considered for sales tax credits offered from both levels of government. Our aim is to maintain current programs and services administered for provinces, territories, and other government departments and expand them, where feasible.

For these reasons, our strategic outcome for Benefit Programs and the measures we employ to evaluate our success focus on the timeliness and correctness of the payments we issue, as well as on the contribution we make to provinces and territories as a key service provider.

Benefit Programs Strategic Outcome Measures

		Performance rating	Data quality
[illegible]	**2005-2006**	**Met**	**Good**
	2004-2005	Met	Good

Our Indicators

		Target	2002-2003	2003-2004	2004-2005	2005-2006
Payment Timeliness						
✓	Benefit payments are issued on time	99%	99.9%	99.9%	99.8%	99.9%
Benefit payments are correct						
✓	Families receive the proper CCTB entitlement	95%	94.1%	95.5%	93.2%	95.1%
Provinces, territories and other government departments rely on the CRA as a key service provider						
✓	Number of programs and services administered	N/A	46	51	58	66

✓ Met ☑ Mostly Met ✗ Not Met

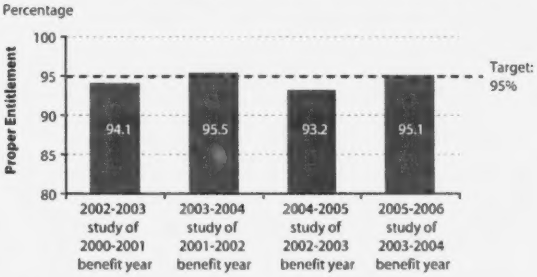
Payment timeliness

We know the importance of the payments we make to millions of recipients each month. To maintain our strong performance in payment issuance, our processes are designed with safeguards and checkpoints to contain the risks of delays or interruptions. These processes have allowed us to issue over 99.9% of payments on time under the CCTB, GST/HST credit, and the various provincial and territorial programs that we administer, meeting our target for 2005-2006 of 99%.

Benefit payments are correct

To contribute to the fairness and integrity of Canada's tax system, we work to ensure that individuals and families receive the proper entitlement—no more and no less. Based on the annual random sample of accounts we conduct to measure overall benefits compliance with program legislation, we estimate that approximately 95.1% of CCTB accounts had complete and accurate payment and account information in 2003-2004 (the benefit year of our most recent study) meeting our target of 95% (Figure 8)[4].

Figure 8 Percentage of Families Receiving Proper Entitlement, Based on Random Sample



Data quality: Good

We also conduct validation work which targets accounts that have been identified as high-risk. In 2005-2006, 62.2% of accounts selected for review were adjusted, exceeding our target of 50%. The results of our validation and controls program are discussed in detail on page 62.

Provinces, territories and other government departments rely on the CRA as a key service provider

In 2005-2006, in addition to the four federal programs we delivered, we also administered 17 ongoing child benefit and credit programs for nine provinces and territories. Entitlements under all of these programs (with the exception of the Alberta Family Employment Tax Credit program) are combined with federal program entitlements into a single payment, either delivered monthly (with the CCTB) or quarterly (with the GST/HST credit).

Ongoing Benefit Programs Administered by the CRA on Behalf of the Provinces and Territories

- British Columbia – BC Family Bonus
- British Columbia – BC Earned Income Benefit
- Alberta Family Employment Tax Credit
- Saskatchewan Child Benefit
- Saskatchewan Sales Tax Credit
- Yukon Child Benefit
- Northwest Territories Child Benefit
- Northwest Territories – Territorial Worker's Supplement
- Nunavut Child Benefit
- Nunavut Territorial Worker's Supplement
- New Brunswick Child Tax Benefit
- New Brunswick Working Income Supplement
- Nova Scotia Child Benefit
- Newfoundland and Labrador Child Benefit
- Newfoundland and Labrador – Mother Baby Nutrition Supplement
- Newfoundland Harmonized Sales Tax Credit
- Newfoundland and Labrador Seniors' Benefit

In 2005-2006, we built on our reputation as an effective service provider by delivering two one-time payment programs for clients: the Alberta 2005 Resource Rebate, and the federal Energy Cost Benefit program. Additional details concerning these new programs can be found on page 62. These are the sixth and seventh one-time payment programs we have delivered since 2000.

---

[4] Compliance Levels Exhibited by Recipients of Canada Child Tax Benefits – Final Report, August 18, 2006 (target population as of November 2003).

The fact that most jurisdictions have adopted the use of the CRA's delivery system strongly suggests that it offers important efficiencies in delivering a cash benefit, as it is cost-effective compared with the theoretical cost of developing independent provincial and territorial administrative systems.[5] Two jurisdictions—Saskatchewan and the Northwest Territories—have specifically noted the advantages of this approach.[6] Our reputation as a service provider was further demonstrated by the expansion of our Income Verification data exchanges with our clients. Provinces, territories, and federal government departments have also increasingly come to depend upon CRA data to support the large variety of income-tested benefit and payment programs that they administer, such as social assistance, student aid, or extended health benefits. Sharing of a limited amount of data, done with taxpayer consent, simplifies administration of programs and minimizes the burden on applicants, since they do not need to contact CRA offices to get the required information themselves. Four new provincial partners were added in 2005-2006, implementing a File Transfer Protocol methodology that uses a secure, two-way online electronic data exchange. We now support 17 provincial programs with Income Verification data exchanges. See page 62 for more information about the new services implemented this past year.

Data Exchange (via File Transfer Protocol) and Data Transfer Services Provided to Clients

- Income Verification data exchanges with provinces to support 17 programs (e.g. income support, student aid, Pharmacare), with seven more in the testing phase.
- National Child Benefit Supplement data exchanges with 11 provinces and territories to facilitate calculation of social assistance.
- Data transfers with four provinces to support 'top-ups' for CRA-administered child benefit programs.
- Data transfers of income and child information to support administration of the Ontario Child Care Supplement and Quebec Family Allowance programs.
- Data exchanges and data transfers to support federal administration of Employment Insurance Family Supplement, Canada Learning Bond, Additional Canada Education Savings Grant, Guaranteed Income Supplement.

In total, the CRA administered 66 different programs and services for provinces, territories, and other government departments, up from the 58 administered in 2004-2005.

Conclusion

By achieving strong performance against each of our strategic outcome measures, we believe that we have met our strategic outcome for Benefit Programs: ***Eligible families and individuals receive timely and correct benefit payments, contributing to the integrity of Canada's income security system.*** Our legislative flexibilities as an agency, our business expertise and the adaptability of our automated systems enable us to deliver income-tested benefit and credit programs, not only for the Government of Canada, but also for provinces and territories.

---

[5] Evaluation of the National Child Benefit Initiative – Synthesis Report, June 6, 2005, available at www.nationalchildbenefit.ca

[6] NCB Progress Report 2004, published November 2005, available at www.nationalchildbenefit.ca

Our Program Activities

As noted on page 14, our Strategic Planning and Reporting Framework is based on the Management, Resources and Results Structure (MRRS) established by the Treasury Board of Canada Secretariat on April 1, 2005. The MRRS is a common, government-wide approach to the collection, management, and reporting of financial and non-financial performance information. It provides a standard basis for reporting to Canadians and Parliament on the alignment of resources, program activities, and results.

Within the MRRS is our Program Activity Architecture, an inventory of all the activities we undertake. These program activities are depicted in our Strategic Planning and Reporting Framework (page 15) in their logical relationship to each other and to the strategic outcome(s) to which they contribute.

Program activities are groups of related activities that are designed and managed to meet a specific public need and often treated as a budgetary unit. Each is articulated at a sufficient level of materiality to reflect how we allocate and manage our resources in order to achieve intended results. The CRA has seven distinct program activities. The following sections are organized according to these seven program activities (PAs):

- **Client Assistance (PA1)**, which assists taxpayers in meeting their obligations under Canada's self-assessment system.
- **Assessment of Returns and Payment Processing (PA2)**, which processes and validates taxpayer returns; registers, establishes, and maintains taxpayer accounts; and receives payments.
- **Filing and Remittance Compliance (PA3)**, which identifies and addresses non-compliance with taxpayer filing and remittance requirements and controls the level of tax debt.
- **Reporting Compliance (PA4)**, which verifies the complete and accurate disclosure by taxpayers of all required information to establish their tax liabilities and protects the tax base through audit and enforcement activities.
- **Appeals (PA5)**, which provides a timely and impartial dispute resolution process for taxpayers who disagree with decisions taken by the CRA.
- **Benefit Programs (PA6)**, which provides Canadians with income-based benefits and other services that contribute directly to their economic and social well-being.
- **Corporate Services (PA7)**, which provides corporate and central services in support of the Minister of National Revenue, the Board of Management, the Commissioner, and the operational program activities of the CRA.

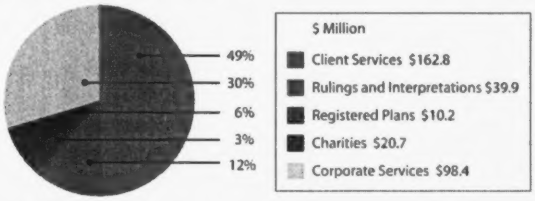
For each program activity, we present an overview of the program; its spending profile; the performance discussion concluding against the PA's expected result(s); and we detail the results achieved during the year and how these results served to support our strategic outcomes. We also group together key results logically to demonstrate how we arrived at our conclusion against the expected result(s) for each program activity.

Client Assistance (PA1)

Within the Client Assistance program activity, we are responsible for assisting taxpayers, businesses, and registrants in meeting their obligations under our self-assessment system. We undertake this work through several Call Centres and 46 Tax Services Offices across Canada. As noted on page 17, when our efforts are successful, taxpayers, businesses, and registrants are provided with the tools, assistance, and information they need to comply with their tax obligations.

In 2005-2006, spending for this program activity totalled $332 million (3,998 FTEs) or 8.9% of the CRA's overall expenditures.[7] Of this $332 million, $233.6 million was for net program expenditures and $98.4 million was allocated to this program activity for Corporate Services.

Figure 9 Resource Spending



Total Spending: $332 million

Data quality: Good

- **Client Services** – provides information, tools and assistance to individuals and businesses on federal and provincial legislation:
  - spending of $162.8 million (2,314 FTEs);
  - more than 15.75 million public enquiries handled; and
  - almost 30 million tax-related visits to the CRA Web site.
- **Rulings and Interpretations** – provides binding advance income tax rulings to businesses on proposed transactions and non-binding interpretations to businesses and individuals; provides Excise and GST/HST rulings and interpretations to businesses, tax professionals and individuals:
  - spending of $39.9 million (415 FTEs);
  - received 122,621 telephone enquiries for Excise and GST/HST rulings; and
  - processed 4,711 written enquiries for Excise and GST/HST rulings.
- **Registered Plans** – registers pension plans and other deferred income plans, audits plans for compliance with the *Income Tax Act*, develops and publicizes administrative policy in their regard and approves contributions to defined benefit plans:
  - spending of $10.2 million (129 FTEs); and
  - administered 21,771 registered pension plans, 4,658 deferred profit sharing plans, 148 supplementary unemployment benefit plans and over 3,000 registered investments.
- **Charities** – processes applications for registration for charities, reviews annual returns to ensure compliance, and provides public information:
  - spending of $20.7 million (241 FTEs);
  - administered 82,595 registered charities;
  - reviewed 80,432 charities returns; and
  - conducted 989 audits.
- **Allocation of Corporate Services spending**
  - total of $98.4 million allocated to this program activity (897 FTEs).

---

[7] Spending and FTE figures for sub-activities may not add up to this total due to rounding.

Executive Summary
Introduction
Tax Services
Benefit Programs
Program Activities
Agency Governance
Schedules

Performance Report Card

Expected Result – Clients receive timely, accurate and accessible information		Performance rating	Data quality
	2005-2006	Met	Good
	2004-2005	Met	Good

Our indicators

	Target	Timely information
✓	80%	Percentage of general and business calls answered within two minutes of entering the queue
✓	85%	Percentage of charities calls answered within 60 seconds of entering the queue
n/a	N/A	Percentage of tax correspondence responded to within 30 days[1]
✗	60 days on average	Timeliness of advance income tax rulings issued to taxpayers
✓	90 days on average	Timeliness of income tax technical interpretations issued to taxpayers
✓	85%	Percentage of CPP/EI rulings issued within targeted timeframes[2]
✓	N/A	Timeliness of the implementation of legislative changes in information products
☑	100%	Percentage of problems acknowledged and resolved in 15 working days or where clients were contacted within 2 working days
	Target	**Accurate information**
✓	N/A	Accuracy of telephone enquiries agent responses
n/a	N/A	Trend in positive survey responses[3]
	Target	**Accessible information**
✓	80%	Percentage of general and business callers that reach our telephone service
✓	80%	Percentage of charities callers that reach our telephone service
✓	N/A	Enhancement of our alternative information sources

[1] A process for capturing written enquiries results will not be in place nationally until 2007-2008.

[2] Although results for the CPP/EI Rulings program are reported here, related expenditures are shown in Program Activity 3.

[3] The CRA Annual Survey questions were significantly revised in 2005; consequently, no results are available for this indicator.

✓ Met	☑ Mostly Met	✗ Not Met

Performance Discussion

Our Client Assistance program activity has the following expected result: ***Clients receive timely, accurate, and accessible information***. We have met this expected result by meeting our expectations in the following key areas:

- we met our timeliness service standards for answering general, business, and charities telephone enquiries;
- agent accuracy remained high;
- we achieved our caller accessibility target for general and business services; and
- while we fell short on our commitment for advance income tax rulings, we met the service standard for technical interpretations.

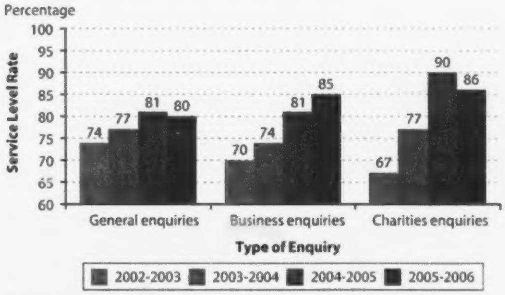
By providing timely, accurate, and accessible information, tools, and services to taxpayers, they can meet their registration, filing, remittance, and reporting obligations without further intervention on our part, thereby ensuring that Canada's revenue base is protected. In so doing, we believe our Client Assistance program activity contributed to the achievement of the Tax Services strategic outcome.

✓ **Expected Result** – Clients receive timely, accurate, and accessible information.

Timely information

Timely telephone service – We met our 80% target for answering calls within two minutes of entering the queue, for general and business enquiries, and our 85% target for answering calls within one minute of entering the queue, for charities telephone enquiries (Figure 10).

Figure 10 Percentage of Telephone Calls Answered within Service Standard



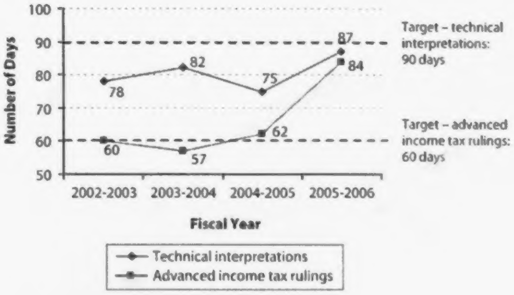
In 2005-2006, the targets for General and Business enquiries were 80%, the target for Charities enquiries was 85%.

Data quality: Good

Timely responses to taxpayer correspondence – We received over 510,000 written enquiries for general or account specific information in 2005-2006. We are establishing a process for capturing national results for this program, and will begin reporting these in 2007-2008 once centralization of correspondence workloads in our regions is complete.

Timely response to requests for advance income tax rulings and technical interpretations – We met our target for providing technical interpretations within an average of 90 days, achieving a result of 87 days. Internal reallocation decisions led to a decrease in available resources; consequently, we did not meet our service standard commitment to issue advance income tax rulings to taxpayers within an average of 60 days, taking an average of 84 days in 2005-2006. Less timely rulings may lead taxpayers to undertake questionable transactions, likely resulting in reduced compliance and more costly audit and appeals activity. We are identifying how best to improve our results against this service standard.

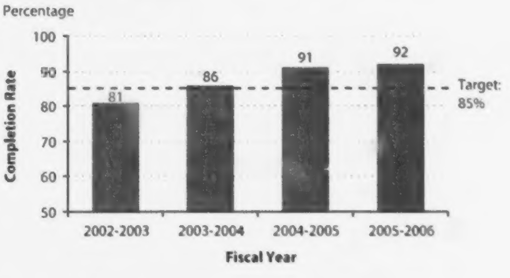
Figure 11 Timely Response to Requests for Advance Income Tax Rulings and Technical Interpretations



Data quality: Good

Timely responses to requests for CPP/EI Rulings – We provide services to other government departments on a cost-recovery basis. Notably, we contribute to the regulatory process for the Canada Pension Plan and Employment Insurance with Human Resources and Social Development Canada (HRSDC). Our memorandum of understanding sets out an 85% service level for the timely completion of ruling requests; in 2005-2006, we again exceeded the agreed service level. We provided timely service 92% of the time for all types of rulings, completing almost 72,000 requests (Figure 12).

Figure 12 CPP/EI Rulings – Percentage Completed on Time



Data quality: Good

Timely information on legislative changes – We are responsible for implementing all legislative changes to tax laws, charity registrations, and social and economic benefit and incentive programs established by Parliament or provincial legislatures and delivered through the tax system. Through our rigorous annual review process, in 2005-2006, we ensured that new or changed information was accurately incorporated in our tax-related publications, most of which are available on our Web site.

Accurate information

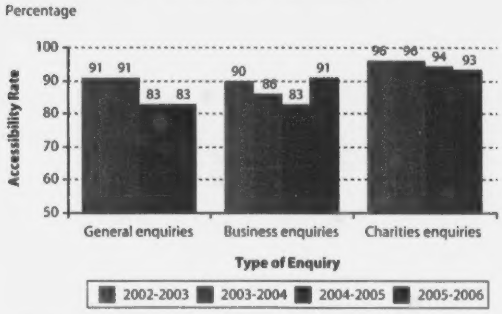
Telephone enquiries agent accuracy – A variety of tools help to ensure that taxpayers find our services reliable and responsive. One tool is our quality assurance program, which evaluates the reliability of our telephone services. Results for the 2005-2006 Agent Accuracy survey indicate that performance in responding to telephone enquiries remained high relative to the 1996-1997 baseline year. To help ensure that accurate information continues to be offered to taxpayers, we are developing e-learning and integrated desktop tools for agents.

Accessible information

Accessible telephone service – We believe taxpayers are more likely to participate in an accessible tax system that provides responsive service. We strive to provide more equitable and efficient service by balancing accessibility and timeliness.

Caller accessibility measures the percentage of callers who succeed in reaching our telephone service. Over 2005-2006, we exceeded our 80% caller accessibility target for general, business and charities enquiries[8]—attaining 83% for general enquiries, 91% for business enquiries, and 93% for charities enquiries (see Figure 13).

Figure 13 Telephone Caller Accessibility



Data quality: Good

Enhancement of our alternative information sources – Our goal, which—as noted on page 17—is aligned with the Government of Canada's Service Vision, is to increase accessibility of our services by promoting the availability of online services and to shift resources to alternative service delivery channels such as the Internet. In a 2004-2005 EKOS survey on trends in Internet usage and access[9], it was reported that:

- 72% of Canadians had Internet access at home;
- 71% had used a Government of Canada Web site in the past 12 months;
- 31% of Canadians said their most recent contact with the Government of Canada was via the Internet; and
- 90% of Internet users and 38% of non-users expected to use the Internet to deal with governments in the future.

Using these findings and other information, we continued our move towards self-service in 2005-2006 by maximizing our use of technology to optimize cross-channel service delivery while encouraging self-service through the use of electronic offerings.

Our Web site provides a wide range of information and answers to taxpayers' questions. To further enhance accessibility, our Web-based Smartlinks service allows taxpayers to connect directly from our Web site to an agent. While we saw an average 5%

---

[8] Target levels were higher than 80% in prior years, i.e., 90-95% in 2002-2003 and 80-85% in 2003-2004. The reduction to 80% is to maximize the use of resources by balancing the cost of service with taxpayers' expectations.

[9] Reported in *The Hill Times*, January 16, 2006.

decline over the past three years in the number of taxpayers requiring a paper return package—in 2006 (for the 2005 tax year), 5.9 million taxpayers still required one—we continue to meet the huge demand for printed publications.

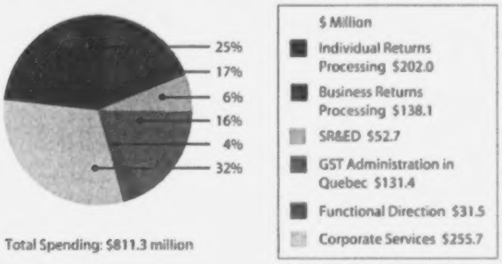
Integral to enhancing self-service, we built on our electronic services infrastructure in 2005-2006 to add new services to our Web site to allow taxpayers to submit transactions. Along with emphasizing the take-up of our electronic services, we have developed innovative electronic initiatives to streamline our programs. For example, we allow businesses to register for a Business Number and for four federal programs—GST/HST, corporate income tax, payroll deductions, and import/export—through our integrated Business Registration Online service. Using the same service, small and medium-sized businesses in British Columbia, Nova Scotia, and Ontario that are starting or expanding operations can register or apply for a variety of business programs.

Assessment of Returns and Payment Processing (PA2)

Within the Assessment of Returns and Payment Processing program activity, we are responsible for processing activities at seven Tax Centres across Canada. As discussed in the section entitled, 'Achieving Our Tax Services Strategic Outcome' on page 17, this program activity helps ensure that taxpayers meet their obligations and Canada's revenue base is protected in several ways.

In 2005-2006, spending for this program activity totalled $811.3 million (8,718 FTEs) or 21.9% of the CRA's overall expenditures[10]. Of this $811.3 million, $555.6 million was for net program expenditures and $255.7 million was allocated to this program activity for Corporate Services.

Figure 14 Resource Spending



Data quality: Good

- **Individual Returns Processing** – processes returns for tax programs through initial assessment, pre-and post-assessment validation review, accounting adjustments, and general correspondence:
  - spending of $202 million (3,534 FTEs);
  - processed close to 25 million individual returns from February 14, 2005 to January 27, 2006, over 13 million of which were paper; and
  - refunded $18 billion to almost 15 million individual taxpayers.
- **Business Returns Processing** – registers businesses in Canada using the Business Number; processes, assesses, and validates information filed via T2 (corporate income tax), T4 (employee), T5 (interest income), and GST/HST returns; establishes and maintains account status; carries out excise programs; and receives all payments:
  - spending of $138.1 million (2,487 FTEs);
  - administered about 1.5 million employer accounts and over 2.5 million GST/HST registrants (excluding Quebec); and
  - processed close to 1.7 million corporate returns, almost 590,000 visitor rebates, approximately 6.8 million GST/HST returns, over 185,000 trust returns, and almost $330 billion in payments.
- **Scientific Research and Experimental Development Program (SR&ED)** – provides investment credits as an incentive to conduct qualifying industrial research and development activities in Canada:
  - spending of $52.7 million (520 FTEs); and
  - provided $1.8 billion in tax credits.
- **GST administration in Quebec** – administers both the MOU with the ministère du Revenu du Québec (MRQ) and payments to the MRQ:
  - spending of $131.4 million (we do not attribute FTEs to this sub-activity).
- **Functional direction** – re-engineers specific business processes for the CRA related to this program activity; and provides financial planning and management support services for PA2:
  - spending of $31.5 million (296 FTEs).
- **Allocation of Corporate Services spending**
  - total of $255.7 million allocated to this program activity (1,878 FTEs).

---

[10] Spending and FTE figures for sub-activities may not add up to this total due to rounding.

Performance Report Card

Expected Result – Assessment and payment processing are timely and accurate		Performance rating	Data quality
	2005-2006	Met	Good
	2004-2005	Met	Good

Our indicators

	Target	Timely assessment and payment processing
		External Service Standards
✓	4 to 6 weeks	Timeliness of T1 paper return processing
✓	2 weeks	Timeliness of T1 electronic return processing (via EFILE, TELEFILE, NETFILE)
✓	95%	Percentage of GST/HST returns processed within 21 days
✓	75%/90%	Percentage of T2 paper returns processed within 50 days / processed within 90 days
✓	95%	Percentage of Statements of Arrears (SOA) and Statements of Interim Payments (SIP) mailed out on time
✓	90%	Percentage of fairness requests related to accounts receivable and trust accounts processed within 4-6 weeks
✓	Various timeframes	Percentage of SR&ED claims and adjustments processed on time
		Internal Performance Standards
n/a	100%/95%	Percentage of payments deposited within 24 hours during non-peak season / during peak season[1]
✓	98%	Process on time filed T1 returns by mid-June
n/a	90%	Percentage of Business Number registrations processed within 5 working days[2]
✓	90%	Percentage of T4 information returns processed by April 30
✓	90%	Percentage of T5 returns processed by May 31
✓	N/A	Trend in dollar value of interest paid on refunds
		Electronic processing take-up
☑	50%	Percentage of individual filers who file electronically
✓	7%	Percentage of corporations that file electronically
✓	N/A	Enhancement to other electronic services
	Target	**Accurate assessment and payment processing**
✓	98%	Percentage of T1 paper returns assessed accurately

[1] Information is not available to discuss performance in peak and non-peak season.

[2] Results for this target will not be available until 2006-2007 as measures were put in place only in April 2006.

Expected Result – Non-compliance is identified and addressed		Performance rating	Data quality
	2005-2006	Met	Good
	2004-2005	Met	Good

Our indicators

	Target	Timely assessment and payment processing
✓	N/A	Tax review programs examine returns and additional tax is assessed

✓ Met	☑ Mostly Met	✕ Not Met

Performance Discussion

Our Assessment of Returns and Payment Processing activity has the following expected results:

- ***Assessment and payment processing are timely and accurate; and***
- ***Non-compliance is identified and addressed.***

We met the first of these expected results by meeting the returns processing targets for our key indicators:

- we met all of our key external service standards and internal performance standards for timeliness;
- take up of electronic filing continued to rise; and
- our quality assurance results related to processing individual paper returns met our 98% target.

We also met our second expected result with high recovery rates in our tax review programs.

By providing taxpayers increased convenience and accessibility through electronic payment technology, we help them comply with the remittance obligations discussed on page 22, and help protect Canada's revenue base. The results from our tax review programs also helped protect the tax base.

✓ **Expected Result** – Assessment and payment processing are timely and accurate

Timely Assessment and Payment Processing

Key external service standards for timeliness – We met our most important processing service standards involving high impact or high volume activities in 2005-2006. Our results against our key external service standards were as follows:

- between February 14, 2005 and May 30, 2005, T1 paper returns were processed on average in 25 days, which is within our standard of four to six weeks;
- between February 14, 2005 and May 30, 2005, T1 electronic returns were processed on average in 13 days, which is within our standard of two weeks;
- we met our target of 95% by processing over 98% of 6.8 million GST/HST returns within 21 days;
- we processed almost 1.5 million T2 paper returns, 88% within 50 days, meeting our 75% target; and processed 96% within 90 days, meeting our 90% target;
- we met our 95% target for processing over two million Statements of Arrears on time;
- we issued 99% of almost 2.6 million Statements of Interim Payments on time, meeting our target of 95%; and
- we met our 90% target for processing over 35,000 fairness requests in 4-6 weeks.

We met our four service standards for our SR&ED program in 2005-2006. This program provided $1.8 billion in tax credits to encourage Canadians to conduct research and development in Canada.

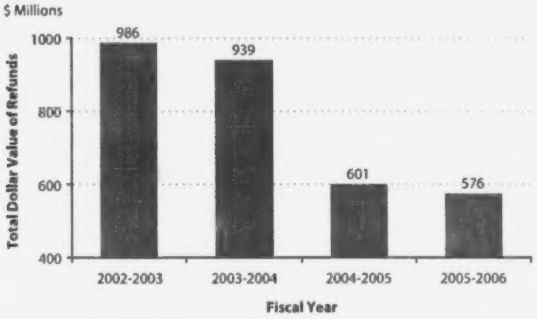
Further details regarding our performance against our external service standards, including results for prior years, can be found on page 81.

Key internal performance standards for timeliness – In 2005-2006, we:

- handled over 35.6 million payments, depositing over 99% of the value of all tax funds within 24 hours;
- processed over 99% of on time filed T1 returns by mid-June, meeting our target of 98%;
- processed 95% of over 930,000 T4 returns by April 30th, meeting our target of 90%; and
- processed 93% of over 220,000 T5 returns (received between January 1 and March 31, 2006) by May 31st, meeting our 90% target.

The amount of refund interest we pay is another indicator which shows whether or not we are processing returns in a timely fashion. In 2005-2006, we paid out $576 million in refund interest to filers of personal, corporate, GST/HST, and Excise tax returns. This was the lowest total of refund interest paid for any of the past four years (Figure 15).

Figure 15 Interest Paid on Refunds



Data quality: Good

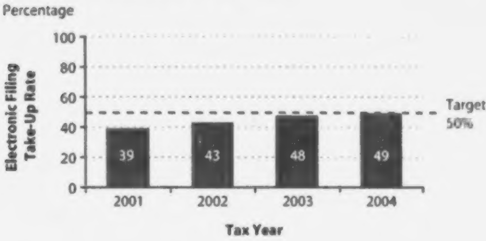
In addition, to protect Canada's revenue base, our Refund Set-Off Program provides an automated service by which the tax refunds of individuals may be set-off to debts owed by taxpayers under federal, provincial, or territorial programs—debts that might otherwise become uncollectible. In 2005-2006, refund set-offs totalled almost $170 million, of which almost $54 million was collected on behalf of Canada's provinces and territories.

Electronic Processing

An important part of our approach to improve the timeliness, accuracy, and efficiency of returns processing is to encourage greater participation by taxpayers in our electronic filing options.

Take-up (T1) – Electronic filing of T1 returns has increased annually since 2001 (Figure 16). Over 49% of 2004 individual tax returns were filed electronically in the 2005 filing season[11], just short of our 50% goal.

Figure 16 Take-up of Electronic Filing for Individual Income Tax Returns



Data quality: Good

We continue to pursue increases in individual returns that are filed electronically. In 2005-2006, we aimed marketing activities at reaching a greater number of individuals and businesses to further increase take-up rates for electronic filing.

Take-up (T2) – Approximately 10% of all corporate income tax returns were filed electronically in 2005-2006, meeting our target of 7% and nearly doubling the 2004-2005 proportion of 5.94%.

Enhancements to Other Electronic Services – Other services achieved increased take-up as well:

- Internet filing of GST/HST returns increased by over 32% (from 250,413 in 2004-2005 to 331,671 this year), which represents almost 5% of the total for this workload; and
- T4 Internet filing rose by over 17% (from 79,282 returns in 2004-2005 to 93,070 this year) and now represents almost 10% of the total for this workload.

We are continually searching for ways to better respond to the needs of taxpayers. The introduction of electronic payment processing has enabled us to take advantage of emerging technology. In 2005-2006, electronic payments increased by 20% from the prior year.

In addition, My Account, our secure online service allowing individuals the convenience of managing their personal tax and benefit information, continues to grow in response to feedback. Reaching almost one million enrolments for My Account, there were 1,623,760 visits to the My Account Welcome page in

---

[11] T1 intake from February 14, 2005 to June 29, 2005. We are reporting filing season information that ends within the fiscal year. Therefore, the result of 49% is the same as the one reported in last year's Annual Report.

2005-2006. Enhancements added to My Account in 2005-2006 allow enrolled individuals to view their direct deposit information, tax returns, and carryovers.

Since about 50% of all taxpayers use tax professionals or representatives, in 2005-2006, we introduced a new online service called 'Represent a client' on our Web site. This service allows authorized representatives to authenticate themselves, register, and transact online on behalf of their individual clients.

Accurate Assessment and Payment Processing

Accurate assessment of T1 paper returns – The primary tool for determining if we assess returns accurately is our T1 Quality Evaluation Program, which reviews initial assessments of individual tax returns for each year. Our review for 2005-2006[12] indicates processing errors with an impact on a taxpayer's refund or balance due were approximately 1%, meeting our 98% accuracy target. In 2004-2005, the last year for which figures are available, the amounts involved were generally $300-$400 per error.

✓ **Expected Result** – Non-compliance is identified and addressed

Addressing Inaccurate Reporting

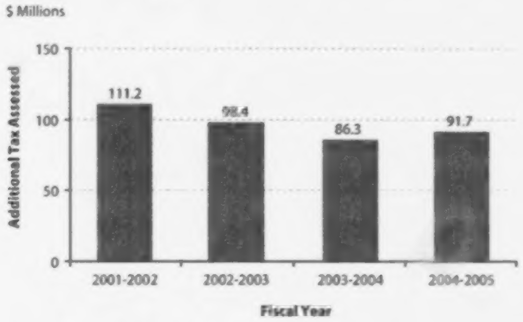
The need for effective processes to identify non-compliance is essential to managing compliance risk and ensuring that people pay their required taxes. Therefore, we subject selected returns to further review at a later date under our post-assessment programs. We devote resources to areas where our assessments indicate that the risk and potential revenue consequences of non-compliance are higher. Our strategy is designed to make administration of the tax system more equitable, recover more revenue, and impose less burden on compliant taxpayers. Our review programs also promote taxpayer education by identifying common areas of misunderstanding.

Once tax returns are filed, we conduct pre-assessment reviews based on a risk scoring approach to select returns for detailed review. In addition, our post-assessment reviews involve targeted reviews based on risk assessment as well as random reviews. The random reviews facilitate both an estimation of the non-compliance rate for these deductions and credits (page 25) as well as ongoing refinement of risk assessment rules.

The success of our risk assessment approach is demonstrated by average targeted recoveries exceeding random recoveries. In 2004 (the last year of available results), we assessed additional tax in 24% of targeted reviews and 16% of random reviews. The average additional amounts assessed were $187 and $69 respectively. These results suggest we have effective criteria for selecting accounts for review.

Pre-Assessment Tax Review Programs – The Confidence Validity Program under which we conduct pre-assessment reviews identified $91.7 million in additional assessed tax in 2004-2005[13] (Figure 17).

Figure 17 Taxes Assessed through Pre-Assessment Reviews



Data quality: Good

Post-Assessment Tax Review Programs – Our Matching Program, taking place after the Notice of Assessment is sent, compares information on an individual's tax return to information provided by third-party sources, such as employers or financial institutions. This activity provides support for important programs such as the Canada Child Tax Benefit, the GST/HST credit, and the Guaranteed

---

[12] Period of review was March 3, 2005 to June 23, 2005.

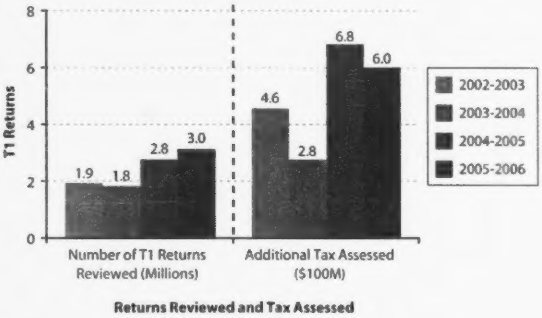
[13] Due to data availability, information is always from the prior fiscal year.

Income Supplement by correcting the net income individuals reported. Also, our Matching Program corrects errors relating to an individual's Registered Retirement Savings Plan (RRSP) deduction limit; spousal-related claims; child-care expenses; provincial and territorial tax credits; and provincial tax reductions. In 2005-2006, over 998,000 corrective actions under our T1 Matching Program generated additional tax assessments of $465.9 million.

Our Processing Review Program promotes compliance and helps maintain confidence in the fairness of our programs through increased education, effective risk-scoring systems, and a balanced approach to our file selection process. In 2005-2006, our Processing Review Program recovered almost $131 million in provincial, territorial, and federal taxes.

Our matching and processing review programs reviewed three million T1 returns this past year and assessed $596.8 million in additional tax (Figure 18).

Figure 18 Individual Income Matching and Processing Review Program Results

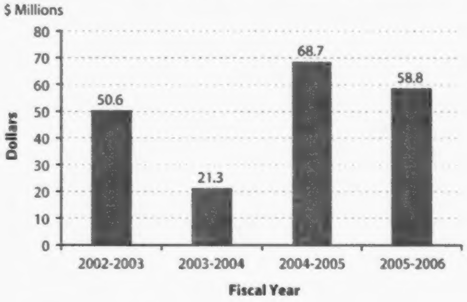


Data quality: Good

In the course of reviewing individual tax returns, we also identify under-claimed credits relating to tax deducted at source or Canada Pension Plan contributions by comparing the individual's return to third-party information. Given the complexity of tax legislation, we expect to find errors made by taxpayers on their tax returns. In some instances, taxpayers calculate an amount of tax payable greater than the amount that should be assessed.

Our beneficial adjustments initiative adjusts returns to allow amounts to which the filer is entitled and issue a refund, if applicable. In 2005-2006, we adjusted over 295,000 returns, averaging almost $200 each. Figure 19 shows recent levels of beneficial adjustments.

Figure 19 Total Value of Beneficial Adjustments



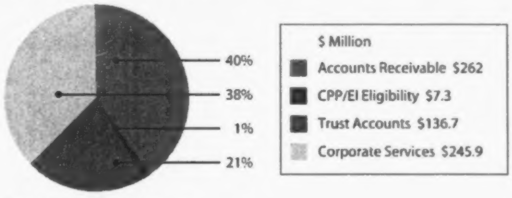
Data quality: Good

Filing and Remittance Compliance (PA3)

Within our Filing and Remittance Compliance program activity, we aim to ensure compliance with tax laws for filing, withholding, and remittance requirements, including amounts collected or withheld in trust on behalf of the Government of Canada. We undertake this work through our National Collections Call Centre and at 46 Tax Services Offices across Canada. This program activity controls the level of tax debt and identifies and addresses non-compliance, thereby protecting Canada's revenue base.

In 2005-2006, spending for this program activity totalled $651.9 million (9,169 FTEs) or 17.6% of the CRA's overall expenditures[14]. Of this $651.9 million, $406 million was for net program expenditures and $245.9 million was allocated to this program activity for Corporate Services.

Figure 20 Resource Spending



Total Spending: $651.9 million

Data quality: Good

- **Accounts Receivable** – responsible for the timely collection of overdue accounts and assuring the effective control of existing tax debt:
  - spending of $262 million (4,309 FTEs);
  - TSO cash collections $9.5 billion;
  - resolved 99.8% of the dollar value of new debt intake during the fiscal year;
  - the National Collections Call Centre made payment arrangements for a total of $2.1 billion; and
  - our National Pools collected a total of $887 million for individuals and $366 million for GST accounts.
- **CPP/EI Eligibility** – provides rulings and determinations related to the Canada Pension Plan and Employment Insurance:
  - spending of $7.3 million (340 FTEs).

Note: the results for CPP/EI Eligibility are reported in the Client Assistance (PA1) section.

- **Trust Accounts** – promotes compliance with the filing, registration, and remitting requirements of the *Income Tax Act* and the *Excise Tax Act*, including our non-filer and non-registrant activities as well as activities that involve compliance work with employers. Through these activities, we obtain missing returns and remittances and conduct examinations to ensure the validity and accuracy of deductions as well as the remittance and reporting of source deductions and GST/HST by employers and registrants:
  - spending of $136.7 million (2,522 FTEs);
  - obtained a total of 934,671 returns from individuals and corporate taxpayers who had not filed their returns;
  - found 4,283 GST/HST non-registrants that did not comply with the registration requirements of the *Excise Tax Act*;
  - a total of 47,888 additional individual and corporate tax returns filed as a result of our Contract Payment Reporting Initiative;
  - identified fiscal impact of $2.3 billion for non-filers and non-registrants; $2.3 billion for GST/HST and Employer Compliance; and over $300 million for the Contract Payment Reporting Initiative.
- **Allocation of Corporate Services spending:**
  - total of $245.9 million allocated to this program activity (1,996 FTEs).

---

[14] Spending and FTE figures for sub-activities may not add up to this total due to rounding.

Performance Report Card

Expected Result – Tax debt is resolved on a timely basis and is within targeted levels		Performance rating	Data quality
	2005-2006	Met	Good
	2004-2005	Met	Good

Our indicators

	Target	Timely resolution of tax debt
✓	60%	Percentage of intake resolved in the year of intake
	Target	**Tax debt is within targeted levels**
✓	$24 billion	Commitment to Parliament on level of tax debt compared to forecast
✓	$8.6 billion	Dollar amount of cash collected
✗	Less than 16%	Percentage of tax debt over 5 years old
✓	91%	Percentage of production compared to new intake

Expected Result – Non-compliance is identified and addressed		Performance rating	Data quality
	2005-2006	Met	Good
	2004-2005	Met	Good

Our indicators

	Target	Identifying Non-compliance
✓	N/A	Non-Filer and Non-Registrant program results
✓	$1.8 billion	Dollar amount of fiscal impact
	Target	**Addressing Non-compliance**
✓	N/A	Convictions and fines levied

✓ Met ☑ Mostly Met ✗ Not Met

Performance Discussion

Our Filing and Remittance Compliance program activity has two expected results:

- ***Tax debt is resolved on a timely basis and is within targeted levels, and***
- ***Non-compliance is identified and addressed.***

With respect to our first expected result, we have met this objective in 2005-2006 by meeting our goals with the following results:

- we met our timely resolution targets by resolving 62.4% of new intake; lowering the proportion of tax debt under one year old to 32%; and maintaining the proportion of aged tax debt between one and five years to approximately 50%; and
- we kept tax debt within targeted levels by stemming the growth in inventory to $18.5 billion, collecting $900 million more than our commitment to Parliament, and resolving the dollar value of accounts at a rate almost equivalent to new debt intake.

We did not, however, achieve our commitment to Parliament to reduce the proportion of tax debt greater than five years of age to less than 16%.

We met our second expected result in 2005-2006 by achieving the following:

- our Non-Filer and Non-Registrant programs showed increased results over the past year, including actions that led to convictions and fines;
- $4.9 billion in fiscal impact was identified by our Filing and Remittance program activities, exceeding our commitment to Parliament; and
- our work led to the conviction of 1,286 taxpayers, resulting in more than $1.4 million in fines and 29 prison sentences.

The results achieved within this program activity contribute to our tax services strategic outcome by helping to protect Canada's revenue base by identifying, addressing, and deterring taxpayer non-compliance.

Expected Result – Tax debt is resolved on a timely basis and is within targeted levels

Timely Resolution of Tax Debt

As noted on page 23, non-compliance with taxpayers' remittance obligations occurs when taxes owed are not paid when they become due. To facilitate the timely resolution of routine tax debt, we balance our efforts between resolving aging inventories of receivables and resolving intake of new debt.

Percentage of intake resolved in year of intake – We direct newly-assessed, high-volume, low-risk tax debt (individual and corporate income tax plus GST/HST) to our National Collections Call Centre. In addition, we use our National Pools to resolve low complexity individual income tax and GST/HST accounts. Our strategy is to resolve routine tax debt with minimal enforcement action within a specified period of time to allow our Tax Services Office (TSO) collections agents to concentrate on more complex accounts. In many cases, our Call Centre and National Pool are the first points of contact with taxpayers.

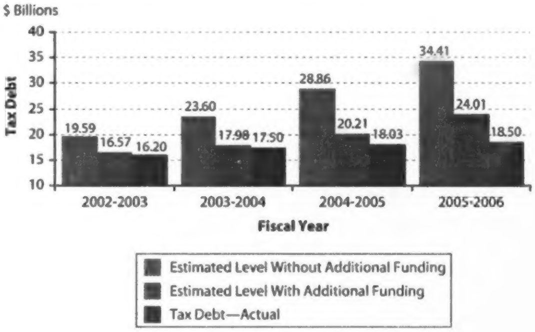
Overall, we resolved 62.4% of new intake in 2005-2006—a one percent increase over the previous year—demonstrating our ongoing success in meeting our target of 60% of new intake dollars resolved. This result had a positive influence on the proportion of tax debt under one year of age in our inventory, which fell in 2005-2006 to 32%, one percentage point lower than last year (Figure 22). We also matched our accomplishment of 2004-2005 by maintaining the proportion of tax debt between one and five years of age at slightly less than 50% of the total inventory.

Tax Debt is Within Targeted Levels

Commitment on level of tax debt – As noted on page 23, tax debt levels have risen over the past number of years. In 2001, we requested and received additional funding from Parliament to manage the growing level of tax debt. At that time, we had estimated that, with the level of resources then available, the gross tax debt would climb to $34 billion in 2005-2006. We committed to a level of tax debt that would not exceed $24 billion.

Through the implementation of our strategic initiatives, however, we have achieved a tax debt balance at the end of 2005-2006 of $18.5 billion, considerably below the maximum level to which we committed (Figure 21).

Figure 21 Projected Growth in Tax Debt



Data quality: Good

Given the resources available, these results demonstrate our success in stemming the growth in the tax debt balance.

At the same time, the tax debt continues to grow faster than we can collect it. Initiatives were put in place in 2005-2006 to better position the CRA to conduct its core business and integrate the collections workloads of other government organizations.

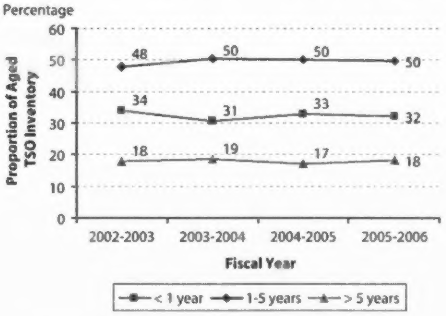
In addition to our commitment concerning the level of tax debt, we had targets in place for 2005-2006 because of our commitment to Parliament to collect $8.6 billion and reduce the proportion of tax debt in excess of five years old. We also had an internal target to resolve accounts at a rate equivalent to 91% of the total value of new intake.

Dollar amount of cash collected – Our TSO cash collections in 2005-2006 totalled $9.5 billion (Figure 23), exceeding our $8.6 billion commitment to

Parliament. This represents a significant increase over the $8.8 billion collected last year; these results were accomplished through increased efforts to address new debt.

Tax debt in excess of 5 years of age – Our target for 2005-2006 was to reduce to less than 16% the proportion of tax debt older than five years of age in our closing TSO inventory. We were unsuccessful in meeting this target. In 2005-2006, the proportion of tax debt over five years of age within our total TSO inventory increased slightly, from 17% to just over 18% (Figure 22).

Figure 22 Tax Services Offices – Aging of Tax Debt

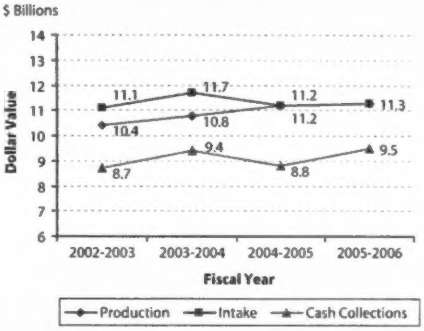


Data quality: Good

In 2004-2005, a special, one-time internal reallocation of resources allowed us to focus on write-offs, resulting in a significant increase compared to previous years. In 2005-2006, without this special funding, total write-offs returned to historical levels, which contributed to the increase in the proportion of older accounts.

Production compared to new intake – In 2005-2006, total dollars resolved fell slightly below the level of new debt intake to a proportion of 99.8% (Figure 23). This far exceeded our 91% target. This achievement of our production matching the intake should contribute significantly, over time, to slowing the growth of the tax debt.

Figure 23 Tax Services Offices – Intake, Production, and Cash Collections



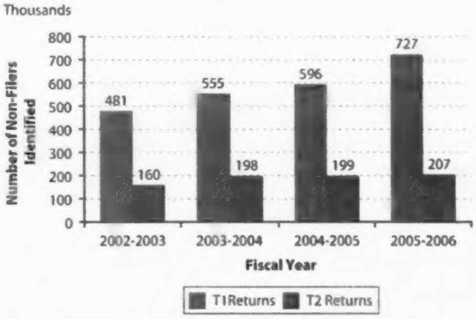
Data quality: Good

Expected Result – Non-compliance is identified and addressed.

Identifying Non-compliance

Non-Filers and Non-Registrants – In 2005-2006, our Non-Filer Program generated 727,361 returns from individuals and 207,310 returns from corporate taxpayers that had not met their filing requirements (Figure 24). When compared to our results in 2004-2005, our Non-Filer Program showed an increase of over 139,000 returns from individuals and corporate taxpayers filed. Our Non-Registrant Program identified 4,283 entities that did not comply with GST/HST legislation as required. This figure is a slight increase from the 4,123 non-registrants identified in 2004-2005.

Figure 24 Non-Filer Program Results



Data quality: Good

Fiscal Impact – Along with our request for additional resources to support our tax debt activities mentioned on page 46, we requested additional resources to address filing and remittance non-compliance. As a result, we made commitments concerning the total fiscal impact to be achieved in each year covered by funding.

In 2005-2006, our Filing and Remittance Compliance activities identified a total fiscal impact of close to \$4.9 billion[15] (Figure 25). This result far exceeded our \$1.8 billion commitment to Parliament.

Our Contract Payment Reporting Initiative resulted in the filing of a total of 47,888 additional individual and corporate tax returns in 2005-2006 and almost \$317 million in federal and provincial/territorial assessments. We also registered or reactivated 855 GST/HST accounts. These results were a significant improvement over 2004-2005, when over 33,000 additional returns were filed, \$233 million in additional assessments were raised, and 565 GST/HST accounts were registered or reactivated.

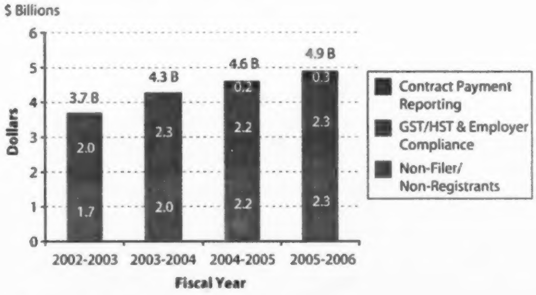


Figure 25 Fiscal Impact – Filing and Remittance Compliance Activities

Data quality: Good

Addressing Non-compliance

Convictions and Fines – Our non-filer and non-registrant work initiated legal action that led to the conviction of 1,286 taxpayers; more than \$1.4 million in fines; and 29 prison sentences.

---

[15] A portion of these fiscal impact results will be subject to appeals and/or will be uncollectible.

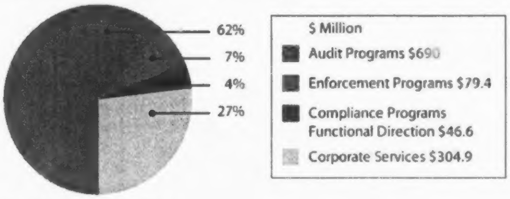
Executive Summary
Introduction
Tax Services
Benefit Programs
Program Activities
Agency Governance
Schedules

Reporting Compliance (PA4)

Our Reporting Compliance program activity is comprised of a mix of audit and enforcement activities (examinations, reviews, audits, and investigations) to ensure compliance with federal, provincial, and territorial income tax and GST/HST laws.

In 2005-2006, spending for this program activity totalled $1.1 billion (12,489 FTEs) or 30.2% of the CRA's overall expenditures[16]. Of this $1.1 billion, $815.9 million was for net program expenditures and $304.9 million was allocated to this program activity for Corporate Services.

Figure 26 Resource Spending



Total Spending: $1.1 billion

Data quality: Good

- **Audit Programs** – carries out audits of individuals and businesses, international tax, and tax avoidance:
  - spending of $690 million (8,286 FTEs);
  - 388,235 reviews, examinations and audits completed.
- **Enforcement Programs** – our investigations program area investigates suspected cases of tax evasion and fraud, pursues criminal prosecutions, and publicizes successful prosecutions of tax law offenders. Our Special Enforcement Program helps combat organized crime by conducting audits and civil enforcement actions on individuals known or suspected of deriving income from illegal activities:
  - spending of $79.4 million (860 FTEs);
  - 252 income tax and GST/HST investigations were referred to the Department of Justice for prosecution;
  - $14.4 million in fines were imposed;
  - conviction rate of 94%; and
  - as part of the Special Enforcement Program, we conducted 1,349 audits and identified more than $80 million in additional tax owing.
- **Functional Direction** – re-engineers related business processes for the CRA; conducts research and analysis of compliance behaviour and trends; assesses compliance risk, and develops tools for use in audits and investigations; and provides financial planning and management support services for PA4:
  - spending of $46.6 million (415 FTEs).
- **Allocation of Corporate Services spending**
  - total of $304.9 million allocated to this program activity (2,927 FTEs).

---

[16] Spending and FTE figures for sub-activities may not add up to this total due to rounding.

Performance Report Card

Expected Result – Non-compliance is identified and addressed	2005-2006	Met	Good
	2004-2005	Met	Good

Our indicators

	Target	Non-compliance is identified
✓	N/A	Enhanced risk assessment
✓	N/A	Core Audit Program results demonstrate effectiveness in targeting cases of highest risk
✗	Various	Audit coverage rates meet commitments to Parliament
✓	$5.4 billion	Fiscal impact meets or exceeds estimate
✓	N/A	International partnerships inform our approach to compliance
	Target	**Non-compliance is addressed**
✓	N/A	Investigations lead to prosecutions
✓	N/A	Implementation of planned tax integrity priority initiatives
✓	N/A	Special Enforcement Program identifies and addresses non-compliance

✓ Met	☑ Mostly Met	✗ Not Met

Performance Discussion

Our Reporting Compliance program activity has one expected result: ***Non-compliance is identified and addressed***[17].

We have met our expected result by meeting our expectations related to the following key indicators:

- we continued to improve our knowledge and enhance other aspects of our risk assessment approach;
- our Core Audit Program results demonstrated our effectiveness in targeting cases of highest risk;
- $5.5 billion in fiscal impact was identified by our Reporting Compliance program activity, exceeding our expectations;
- our investigations work led to convictions in 94% of cases referred for prosecution. The courts imposed $14.4 million in fines and more than 33 years in prison for cases of tax evasion and tax fraud;
- progress that met our expectations was made in the areas of aggressive tax planning, the underground economy, and GST/HST fraud; and,
- our Special Enforcement Program continued to address non-compliance by those suspected of participating in illegal activities, identifying more than $80 million in additional tax owing.

While we met our internal targets, except in the case of small and medium corporate files, we did not meet our five audit coverage rate commitments to Parliament.

The results achieved within this program activity contribute to our tax services strategic outcome by helping to protect Canada's revenue base by identifying, addressing, and deterring taxpayer non-compliance.

✓ **Expected Result** – Non-compliance is identified and addressed

Identifying Non-compliance

Enhanced Risk Assessment – In 2005-2006, we continued work on the compliance risks—aggressive tax planning, the underground economy, and GST/HST fraud—identified under the tax integrity priority in our *Corporate Business Plan*

---

[17] This expected result has been updated from that published in our 2005-2006 to 2007-2008 Corporate Business Plan. As noted in the Plan, this expected result was under review; our review concluded that the revised wording for this program activity was a better reflection of its desired outcome.

2005-2006 to 2007-2008. Results related to these risks are discussed beginning on page 53.

We are increasing our research and analysis to improve our knowledge about the underground economy and to enhance our intelligence-gathering capacity. This includes developing cross-program compliance profiles for all taxpayers to assist in better selection of files for audit or review.

Core Audit Program – Our Core Audit Program uses statistical methods to select a random sample of tax files for auditing to estimate a reliable compliance rate among small and medium enterprises (SMEs). The program also generates information for validating and refining the risk criteria that are used in our risk assessment system.

Figure 27 shows the rate of non-compliance estimated from the randomly selected audits of the SME GST/HST wholesale trade sector that revealed non-compliance of $5,000 or more, and compares it to results of targeted compliance audits from our SME audit program in 2005-2006. The improvement ratio is the rate at which targeted audits are more effective than random selection for identifying non-compliance. In this case, targeted audits are 3.8 times more effective at identifying non-compliance than is random selection. This demonstrates the effectiveness of our risk assessment processes.

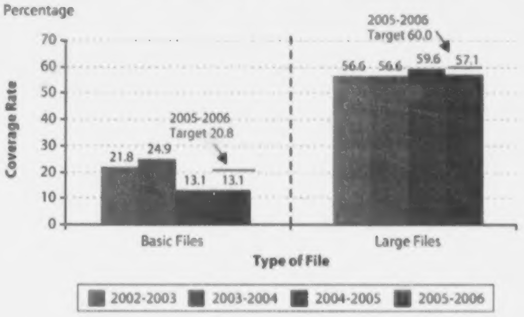
Figure 27 Core Audit Program – Rates of Non-Compliance

Population	Non-Compliance Rate
GST/HST SME Wholesale Trade Sector	**Non-compliance ($5,000 and over net federal tax)**
• Random sample	9.2% +/- 1.5%
• Full compliance audits (2005-2006)	35.16%
• Improvement ratio	3.8:1

Audit Coverage Rates – Part of our risk management approach is to maintain an audit presence across all industry sectors and types of taxpayers. This deters non-compliance by increasing the credibility and visibility of our compliance programs.

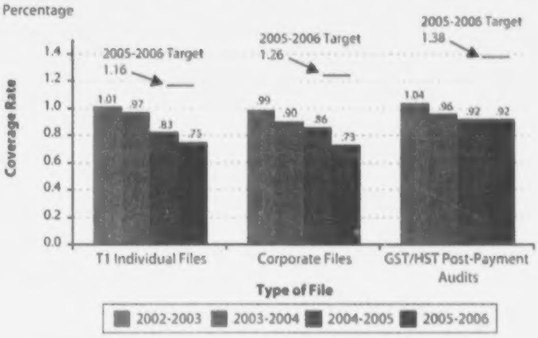
In 2001—along with the additional funding from Parliament we were granted to manage the growing level of tax debt—we obtained resources to gradually increase the number of audits we complete each year. Audit coverage commitments were made based on sector populations at that time. Although we met all of our internal targets for audit coverage for 2005-2006 (with the exception of the small and medium-sized corporate files), which were based on available funding, we did not meet our audit coverage rate commitments for 2005-2006 (Figure 28 and Figure 29). This is because of changes in population, which were not considered when the funding was originally approved. Since this is the final year of these commitments, we will gauge our future audit coverage rate achievements based solely on internal targets.

Figure 28 Audit Coverage Rates – Large Business



Data quality: Good

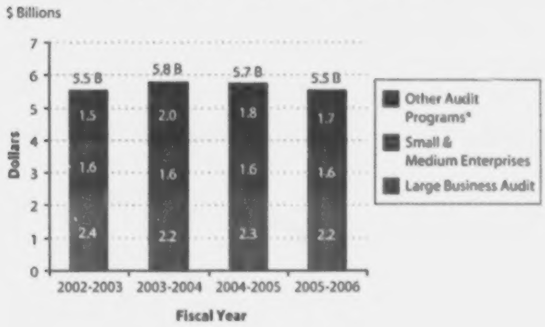
Figure 29 Audit Coverage Rates – Small and Medium-Sized Enterprises and GST/HST Files



Data quality: Good

Fiscal Impact – In 2005-2006, our Reporting Compliance program activity identified $5.5 billion in fiscal impact (Figure 30), which exceeded our estimate of $5.4 billion. Tax assessments that make up this fiscal impact are subject to appeal; some assessments may thus be overturned. A portion of this fiscal impact also may be uncollectible.

Figure 30 Total Gross Fiscal Impact of 2005-2006 Reporting Compliance Activities



Data quality: Good

Note: Total gross fiscal impact includes federal and provincial/territorial tax (participating provinces/territories only), federal tax refunds offset or reduced, interest and penalties, and present value of future tax assessable, where appropriate.

* Other Audit Programs include tax avoidance, international tax programs, tax incentives, and investigations.

International Partnerships – Our approach to compliance is informed through cooperation with other tax administrations, and international organizations such as the Organization for Economic Co-operation and Development (OECD) and the Inter-American Center of Tax Administrations (CIAT). Such collaboration allows us to share expertise and research results, and to discuss emerging compliance issues with a variety of jurisdictions.

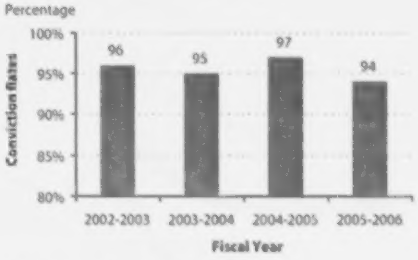
In May 2005, Canada was host to nine tax administrations that attended the Tax Compliance Program Management and Evaluation Workshop. The workshop resulted in an agreement to continue working together and exchanging knowledge and experience to further the goal of developing internationally comparable compliance measurement data. Harmonization of compliance measurement methods also remains a long-term goal.

We also rely on strategic partnerships with tax treaty partners to solve common reporting compliance problems and identify best practices. In 2004-2005, we joined with the Department of Finance Canada in various negotiations involving tax treaties. In response to a recommendation from the 23rd Report of the Standing Committee on Public Accounts in June 2003, we report that Canada has 86 tax treaties concluded by the Department of Finance Canada and currently in force; three treaties have been signed but are not yet in force; and 19 are under negotiation or renegotiation.

Addressing Non-compliance

Prosecution – For those involved in tax evasion or tax fraud, the CRA enforces criminal sanctions that are intended to ensure compliance by deterring fraudulent behaviour. In 2005-2006, 252 income tax and GST/HST investigations (including 30 GST cases by the ministère du Revenu du Québec) were referred to the Department of Justice Canada for prosecution. These and referrals from previous years resulted in convictions for tax evasion or fraud in 293 cases in 2005-2006 (including 39 cases in Quebec courts) that resulted in the loss of $13.4 million in tax revenue. Courts across Canada imposed close to $14.4 million in fines and sentenced offenders to more than 33 years in prison. We obtained convictions in 94% of the cases prosecuted (Figure 31).

Figure 31 Conviction Rates



Data quality: Good

Implementation of Tax Integrity Priority Initiatives – We implemented all initiatives planned for this past year in connection with our Tax Integrity priority (introduced on page 13).

Aggressive Tax Planning – In 2005-2006, we:

- created 11 Centres of Expertise across Canada, bringing together audit professionals from areas such as international tax, special audits, and tax avoidance, to create teams of experts to provide a more coordinated approach in addressing aggressive international tax planning;
- identified a champion for each Centre of Expertise to ensure that the work of the Joint International Tax Shelter Information Centre is best used in the field; and
- created a Taxpayer Alert page on our Web site that provides taxpayers with information on a wide range of topics aimed at educating the public about inappropriate schemes and deterring non-compliance.

Underground Economy – To address the underground economy (UE) in 2005-2006, we:

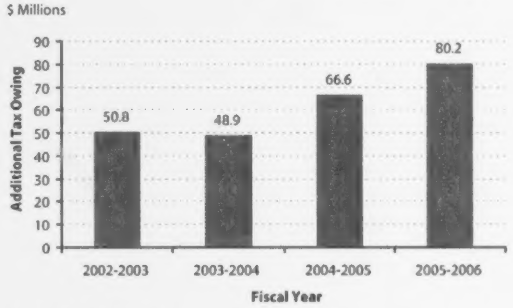
- created seven pilot projects using integrated audit teams comprised of specialists from different parts of the CRA to develop innovative approaches to address UE issues;
- publicized enforcement actions; and
- continued research on expanding the use of third-party reporting and use of third-party information, such as from large businesses, hospitals, schools, other governments, and other government departments.

GST/HST Fraud – Further to the discussion concerning this subject on page 25, our GST/HST compliance strategy is to prevent improper GST/HST refunds and create a legislative and administrative environment that reduces opportunities for fraud. We achieve this through a number of means, including identifying high-risk businesses before and at the time of refund claims, improving risk assessment for registration and prepayment audit process, and recommending legislative changes.

A number of projects were begun or continued to strengthen High Risk Audit Teams and pre-payment audit. We are studying compliance rates among credit returns to estimate the value of overpayments; reviewing audit selection criteria to improve focus on high- risk files; and conducting other studies and pilot projects to improve prevention and detection of GST/HST overpayment and fraud.

Special Enforcement Program – In 2005-2006, we conducted 1,349 audits of taxpayers suspected of earning income from the illegal economy. The audits identified more than $80 million in additional tax owing (Figure 32).

Figure 32 Results from Special Enforcement Program



Data quality: Good

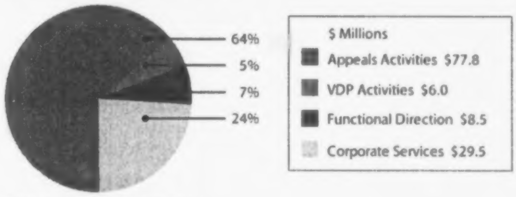
Note: Prior year figures for this program have been re-stated to eliminate double counting of TEBA amounts for files referred to the Criminal Investigations Program. The reduced amounts are $4.6 million for 2002-2003, $7.3 million for 2003-2004, and $8.3 million for 2004-2005.

Appeals (PA5)

The CRA's Appeals program activity is one of the Government of Canada's largest dispute resolution services; it provides taxpayers with a fair and effective dispute resolution process that respects their fundamental right to redress. Taxpayers can dispute decisions pertaining to their income tax and commodity tax assessments and determinations as well as CPP/EI assessments and rulings. Our Appeals program activity is also responsible for two additional activities: leading the CRA's Fairness Initiative and administering the Voluntary Disclosures Program (VDP). We undertake our Appeals activities at Tax Centres and Tax Services Offices across Canada. A great majority of appeals cases are resolved administratively; however, both the CRA and the taxpayers can rely on the courts as the ultimate arbiters of disputes that cannot be resolved through the initial redress process.

In 2005-2006, spending for this program activity totalled $121.9 million (1,528 FTEs) or 3.3% of the CRA's overall expenditures[18]. Of this $121.9 million, $92.3 million was for net program expenditures and $29.5 million was allocated to this program activity for Corporate Services.

Figure 33 Resource Spending



Total Spending: $121.9 million

Data quality: Good

- **Appeals** – responsible for resolving disputes arising from decisions made under legislation administered by the CRA by conducting fair and impartial reviews of income tax and commodity tax assessments, as well as CPP/EI decisions:
  - spending of $77.8 million (998 FTEs);
  - received 66,158 new disputes and resolved 65,042;
  - total taxes in dispute for workable files was $1.8 billion;
  - total taxes in dispute for the non-workable files was $7.7 billion.
- **Voluntary Disclosures Program** – the VDP allows taxpayers to correct past errors or omissions and report their tax obligations without penalty:
  - spending of $6.0 million (86 FTEs);
  - processed a total of 7,314 voluntary disclosures; and
  - generated related assessments totalling $331 million.
- **Functional direction** – re-engineers and monitors appeals processes for the CRA; and provides financial planning and management support services to PA5. This sub-activity is also responsible for leading the CRA's Fairness Initiative:
  - spending of $8.5 million (92 FTEs);
  - interest and penalties totalling $161 million was cancelled or waived for over 35,000 taxpayer requests;
  - automatic cancellations and waivers totalling over $465 million were processed for over 595,000 taxpayers; and
  - under the Fairness Provisions, a total of 65,307 taxpayer requests for relief from interest and penalties were processed.
- **Allocation of Corporate Services spending**
  - total of $29.5 million allocated to this program activity (352 FTEs).

---

[18] Spending and FTE figures for sub-activities may not add up to this total due to rounding.

Performance Report Card

Expected Result – Taxpayers receive an impartial and timely review of contested decisions		Performance rating	Data quality
	2005-2006	Mostly Met	Good
	[illegible]	Mostly Met	[illegible]

Our indicators

	Target	Impartiality of Review
☑	Various	Percentage of sampled Appeals activities that met internal standards for consistency and transparency
✓	Various	Percentage of disputes resolved administratively
✓	N/A	Consistent application of existing fairness policies and procedures to all fairness requests
	Target	**Timely Review**
✓	85%	Service Standard for initial contact
☑	Under review	Percentage of cases completed on time
☑	Under review	Ratio of disposals to new intake
✓	Under review	Processing of VDP files within target

✓ Met	☑ Mostly Met	✕ Not Met

Performance Discussion

Our Appeals program activity has one expected result: ***Taxpayers receive an impartial and timely review of contested decisions***. We mostly met this objective in 2005-2006 by meeting our expectations in the following key areas:

- achieving positive results from our Quality Assurance Program;
- administrative resolution rates of 95% for income tax, 91% for commodity tax, and 77% for CPP/EI rulings;
- in most cases, we consistently applied our fairness policies and procedures to all fairness requests;
- by achieving an 89% rate against our service standard for initial contact, and through improved results in turnaround times in two of the three activity areas;
- narrowing the ratio between intakes and disposals to 1,116 cases; and
- increased VDP cases completed.

Our aim is to ensure all taxpayers have access to responsive and impartial redress because a fair dispute resolution service fosters confidence in our self-assessment system and encourages taxpayers to meet their obligations.

☑ Expected Result – Taxpayers receive an impartial and timely review of contested decisions

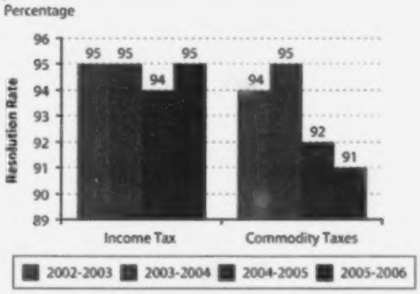
Impartiality of Review

Quality Assurance – Our Quality Assurance Program uses sampling techniques to measure the consistency and transparency of specific Appeals activities against established benchmarks.

Our 2005-2006 review results for both consistency and transparency, as they are applied, for the three program areas improved from the previous year. We exceeded our 94% consistency target, achieving results that ranged between 98% and 99.6%. Our review of transparency showed improved results, specifically in the two areas identified during last year's review; however, the results achieved did not meet our 100% benchmarks.

Disputes resolved administratively – In 2005-2006, we continued to resolve a great majority of income tax and commodity taxes appeals cases administratively without resorting to the courts (Figure 34). In regard to CPP/EI disputes, the administrative resolution rate improved to 77%. The variance in the resolution rates between CPP/EI disputes and income tax and commodity tax disputes is inherent within the legislated program differences.

Figure 34 Administrative Resolution Rates



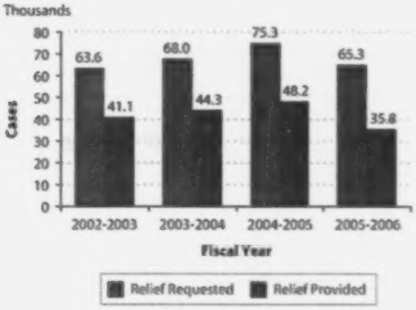
Data quality: Good

Note: 2005-2006 targets: 95% for income tax and 90% for commodity taxes

Fairness Provisions – The fairness legislation includes provisions that allow us to exercise discretion in extenuating circumstances (Figure 35). We continued our mandatory commitment to monitor our fairness activities across all areas responsible for granting relief from penalties and interest under the fairness provisions with a view to improving the administration and uniformity of application of the fairness provisions. Our report this year concluded that, in most cases, we consistently applied the existing fairness policies and procedures to all fairness requests; however, areas for improvement were identified.

A monitoring framework is being developed to ensure quality assurance and continuous improvement in the administration of the fairness provisions. This framework will assist all CRA areas in conducting the review of fairness files in a consistent manner using standard tools. The development of one methodology and monitoring plan will ensure consistency in the observations and reports provided across the CRA.

Figure 35 Requests and Relief Under the Fairness Provisions



Data quality: Good

In 2005-2006, we provided full or partial relief in 55% of the fairness requests received for interest and penalties. The value of interest and penalties cancelled or waived as a result of taxpayer requests was $161 million in 2005-2006. The automatic waivers of penalty and interest under the fairness provisions totalled in excess of $465 million in 2005-2006. In summary, the CRA cancelled or waived more than $626 million for over 631,000 taxpayers[19].

Timely Review

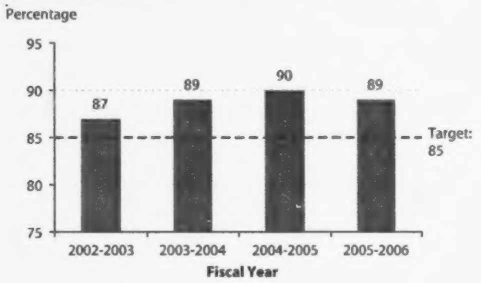
Timely review of disputes is important; however, the need for quality decisions is critically important and must not be sacrificed for the sake of timeliness. For this reason, we continue to review our targets for the timeliness of case completion to ensure the appropriate balance between timeliness and quality is respected.

Service Standard – We begin measuring our responsiveness when a taxpayer files a notice of dispute to an assessment, determination, or ruling. Our service standard is to ensure that we provide 85% of taxpayers who file disputes with a status update within 30 days of filing their dispute. In 2005-2006, our rate was 89% across all three program areas. Indeed, we have consistently met this standard for the past five years (Figure 36).

---

[19] The figures for the automated waivers originally reported for 2004-2005 were re-stated, based on our review of administrative tolerances. This review revealed that there was a reduction of 286,299 automated waiver clients, with an associated reduction of over $506 million.

Figure 36 Service Standard – Client Contact



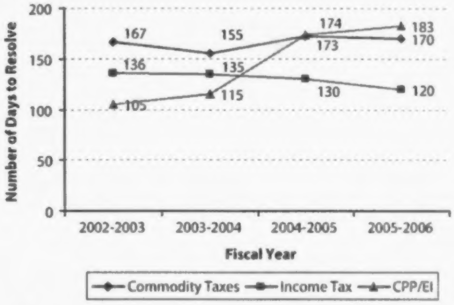
Data quality: Good

Case Completion – In 2005-2006, we succeeded in reducing the average processing time of our workable income tax files from 130 to 120 days (Figure 37). This result is especially important because income tax files are the largest portion of our workload and accounted for approximately 83% of our production for the year.

In 2005-2006, we processed commodity tax files more quickly on average, improving by about 2% over our 2004-2005 results.

For CPP/EI files, our average processing time increased from 174 days in 2004-2005 to 183 days in 2005-2006. Although we have been taking steps to reduce the average processing time for CPP/EI files, we were unsuccessful this year in achieving our objective due to an unusual increase in more time-consuming files. We completed a comprehensive review of our processes and identified potential strategies that should result in improved processing times and better inventory management; we are currently studying these strategies to determine their feasibility. Furthermore, we initiated a pilot project aimed at improving the current procedures utilized in processing CPP/EI files, with the ultimate goal of national implementation.

Figure 37 Average Time to Resolve Disputes



Data quality: Good

Disposals to Intake Ratio – Since taxpayers have a legislated right to recourse, we have no control over the number of disputes that we receive. In 2005-2006, our dispute intakes again exceeded our disposals, which directly affected the level of our inventories. The ratio between intakes and disposals, however, has steadily narrowed over the past five years.

Voluntary Disclosures Program – As discussed on page 17, our approach to tax administration is to have taxpayers comply with their obligations without our intervention. Since total compliance is not realistic, our Voluntary Disclosures Program (VDP) encourages taxpayers who have failed to meet their tax obligations to correct past errors or omissions and report their tax liability without penalty.

We recognize the need to ensure timely processing of VDP files in order to maintain a manageable level of our inventories and also to provide the taxpayers a timely assessment of the information they have submitted. Targets are currently under development and will be available for future performance measurement purposes.

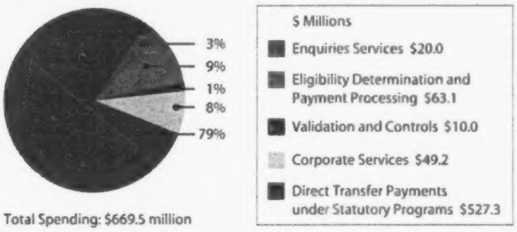
Meanwhile, this program showed continued growth in 2005-2006. There was an increase in the number of VDP cases completed this year: 7,314 up from 6,632 in the previous year. An estimated $331 million was generated in related assessments, with income tax files accounting for $121 million and GST/HST, $210 million. Despite a noticeable increase in the number of files received from taxpayers, we managed to keep our inventory levels relatively stable.

Benefit Programs (PA6)

Within the Benefit Programs program activity, we administer the Canada Child Tax Benefit (CCTB), the Goods and Services Tax/Harmonized Sales Tax (GST/HST) Credit, Children's Special Allowances, and the Disability Tax Credit, as well as 17 ongoing child benefit and credit programs for the provinces and territories, along with one-time payment programs. We also supply information authorized by law to federal, provincial and territorial clients to support the delivery of their income-tested programs.

In 2005-2006, spending for this program activity totalled $669.5 million (1,677 FTEs) or 18.1% of the CRA's overall expenditures[20]. Of this $669.5 million, $620.3 million was for net program expenditures and $49.2 million was allocated to this program activity for Corporate Services.

Figure 38 Resource Spending



Data quality: Good

- **Enquiries Services** – develops and delivers national programs related to the provision of information, tools, and assistance to benefit recipients.
  - spending of $20 million (370 FTEs);
  - over 9.1 million telephone enquiries;
  - over 2.4 million page views of the 'Child and Family Benefits' Web site; and
  - over 3.3 million page views to Benefits pages in the My Account portal.
- **Eligibility Determination and Payment Processing** – provides Canadians with the right tools and information so that they can provide us with the information we need to register them on the appropriate benefit rolls and ensure they receive timely and accurate benefit payments:
  - spending of $63.1 million (855 FTEs);
  - issued over 75 million benefit payments;
  - distributed $9.2 billion to 3.25 million CCTB recipients, including over $3.3 billion in National Child Benefit Supplements and over $55 million in Child Disability Benefits;
  - distributed $3.4 billion to over 9.5 million GST/HST Credit recipients, and processed over 1,780,000 in-year GST/HST credit account redeterminations;
  - distributed over $264 million in payments under ongoing provincial/territorial programs to almost 770,000 recipients and $1.26 billion in one-time payments to over 2.3 million Albertans under the 2005 Resource Rebate program; and
  - administered over $610 million in Disability Tax Credits for almost 480,000 individuals.
- **Validation and Controls** – conducts review activities to validate that the eligibility of those receiving benefits and credits, and the amounts to be paid, are correct in accordance with the legislation:
  - spending of $10 million (116 FTEs)
- **Allocation of Corporate Services spending**
  - total of $49.2 million allocated to this program activity (335 FTEs).

Note: The remaining $527.3 million was devoted to direct transfer payments under statutory programs:

- $169.6 million under the Children's Special Allowances program; and
- $357.7 million under the Energy Cost Benefit program to over 1.4 million recipients.

---

[20] Spending and FTE figures for sub-activities may not add up to this total due to rounding.

Performance Report Card

		Performance Rating	Data Quality
Expected Result – Benefit recipients receive timely, accurate, and accessible information	2005-2006	**Mostly Met**	**Good**
	2004-2005		

Our indicators

	Target	
☑	80%	Percentage of CCTB callers that reached our telephone service
☑	80%	Percentage of CCTB calls that were answered within two minutes of entering the queue
☑	80%	Percentage of GST/HST credit calls that were answered within two minutes of entering the queue

		Performance Rating	Data Quality
Expected Result – Eligibility determination and payment processing are timely and accurate	2005-2006	**Met**	**Good**
	2004-2005		

Our indicators

	Target	
✓	99%	Percentage of benefit payments that were issued on time
✓	98%	Percentage of benefit applications/elections and account maintenance adjustments that were processed on time
✓	98%	Percentage of benefit applications/elections and account maintenance adjustments that were processed accurately
n/a	N/A	Trend in satisfaction ratings among benefit recipients at the same level or higher than the Baseline 2000 survey[2]
		Level of satisfaction with products and services among benefit recipients, from CCTB 1st time applicants survey:
✓	90%	• percentage who consider application instructions easy to understand;
✓	90%	• percentage expressing satisfaction with information received in the application process;
✓	75%	• percentage expressing satisfaction with application processing time; and
✓	90%	• percentage expressing satisfaction with service received in the application process.
n/a	95%	Percentage of CCTB take-up rate maintained[3]
✓	0.4%	Controlled CCTB overpayment debt – percentage of payments issued
✓	N/A	Maintained the number of programs and services administered for the provinces/territories and other government departments, and expanded where it was feasible to do so

		Performance Rating	Data Quality
Expected Result – Non-compliance is identified and addressed	2005-2006	**Met**	**Good**
	2004-2005	Mostly Met	Good

Our indicators

	Target	
✓	95%	Percentage of CCTB recipients that receive the proper entitlement under random sample (Benefit Measurement Sample)
✓	5%	Percentage of CCTB accounts reviewed
✓	50%	Percentage of CCTB accounts reviewed that were adjusted
✓	N/A	Dollar value of validation adjustments resulting in recouped benefits
✓	N/A	Dollar value of validation adjustments in favour of benefit recipients

✓ Met	☑ Mostly Met	✗ Not Met

---

[1] In 2004-2005, these indicators, along with the indicators for our first two expected results were reported together in a single expected result called "Clients receive timely, accessible, reliable, and fair service, that is responsive to their needs". The performance rating was judged to be 'met'.

[2] The CRA Annual Survey questions were significantly revised in 2005; consequently, no results are available for this indicator.

[3] As was reported last year, the next study of CCTB take-up will be conducted following the 2006 Census; consequently, no results are available for this indicator.

Performance Discussion

The Benefit Programs activity has the following three expected results:

- ***Benefit recipients receive timely, accurate, and accessible information;***
- ***Eligibility determination and payment processing are timely and accurate; and***
- ***Non-compliance is identified and addressed.***

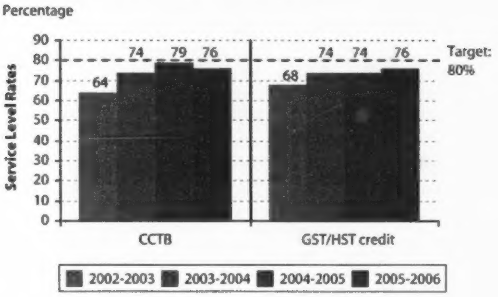
We believe our Benefit Programs activity has contributed to the achievement of the Benefit Programs strategic outcome: that eligible families and individuals receive timely and correct benefit payments, contributing to the integrity of Canada's income security system through the following:

- maintaining a telephone service for benefit recipients which mostly met timeliness and accessibility targets;
- continuing our strong performance in processing benefit payments and associated transactions in a timely and accurate manner; and
- ensuring that the correct amounts are being paid to entitled benefit recipients through the results of our validation and controls program.

☑ **Expected Result** – Benefit recipients receive timely, accurate, and accessible information

Timely telephone service – Service level measures the percentage of telephone calls answered[21] within two minutes of when a caller enters the queue. Despite increased volumes, we answered 76% of calls within 2 minutes on both the CCTB and GST/HST credit telephone lines, mostly meeting our internal performance targets of 80% (Figure 39).

Figure 39 Telephone – Service Level

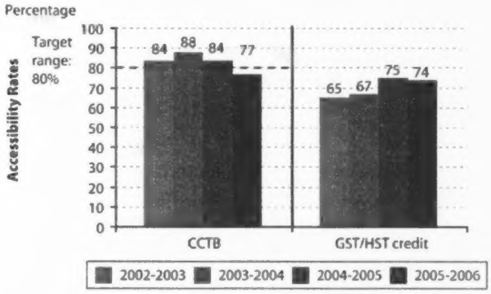


Data quality: Good

We intend to implement a service standard for CCTB in 2006-2007. We are working towards setting a new target for GST/HST credit calls in light of the experience gained during our first full year with the national network implemented in 2004.

Accessible telephone service – Caller accessibility measures the percentage of callers who succeed in reaching our telephone service. We mostly met our 80% internal performance target for CCTB, with 77% caller accessibility (Figure 40). During our first full year with the GST/HST credit national network, 74% of callers reached our lines; we are reviewing targets for this service.

Figure 40 Telephone – Caller Accessibility



Data quality: Good

Note: The internal performance target for CCTB caller accessibility was changed from 80-85% to 80% in the second quarter of 2005-2006.

✓ **Expected Result** – Eligibility determination and payment processing are timely and accurate

Timely processing – As discussed on page 30, we maintained our high standard by issuing over 99.9% of payments on time. Payments totalling almost $14.7[22] billion were sent to over 11 million low- and moderate-income recipients under the programs we administered (such as CCTB, GST/HST credit, various provincial and territorial programs), as well as the two one-time payment programs that we delivered in 2005-2006. Our monitoring studies show we also met our service standards for timely processing of benefit applications and elections[23] and mostly met our service standards for account maintenance adjustments requiring a notice to be issued[24] (Figure 41).

---

[21] Answered calls are calls handled by an agent as well as calls abandoned within two minutes of entering the queue. For abandoned calls, we assume that benefit recipients received the information they needed from the pre-recorded messages they heard while on hold, as these are updated continuously to address topical issues.

Figure 41 Processing Timeliness

Processing Timeliness	Target	2002-2003	2003-2004	2004-2005	2005-2006
Payments	99%	99.9%	99.9%	99.8%	99.9%
Applications/ Elections	98%	97.9%	99.1%	99.3%	99.4%
Account Maintenance	98%	97%	98%	98.9%	97.2%

Accurate processing – Based on our records at the time of processing, monitoring studies show we met our targets by accurately issuing over 99.5% of benefit payments and notices when processing applications[25] and almost 99.7% when processing account maintenance adjustments (Figure 42).[26] These results confirm the accuracy of our systems and processing of account-specific enquiries by our staff and also the successful implementation of legislative changes in July 2005 to the benefit amounts and income thresholds for each of the federal payment programs, and for seven of the ongoing programs we administer for provinces and territories.

Figure 42 Processing Accuracy

Processing Accuracy	Target	2002-2003	2003-2004	2004-2005	2005-2006
Applications/ Elections	98%	99.2%	99.9%	99.8%	99.5%
Account Maintenance	98%	99.4%	98.1%	99.5%	99.7%

Satisfaction with the application process – Each year, we survey first-time CCTB applicants to determine their satisfaction with various aspects of the application process. The 2005 survey[27] showed satisfaction levels very similar to previous years:

- 95% of respondents agreed that application instructions were easy to understand;
- 94% were satisfied with the information received;
- 77% were satisfied with application processing times; and
- 93% were satisfied with the service they received.

In each case, these results exceeded our targets.

Accuracy – Overpayment control – Accuracy is also demonstrated by the minimal value of benefit overpayments issued. Overpayments result when, for example, the CCTB is paid to recipients who belatedly report that they no longer have children in their care, or through any validation review that results in a debit adjustment. Net CCTB overpayments were $25 million in 2005-2006, representing 0.27% of the over $9.2 billion issued (Figure 43). This result is consistent with overpayments of 0.27% experienced since the program's inception in 1993. The net overpayments are also well under the new ceiling of 0.4% that was established in 2005-2006 to demonstrate proper payment control.

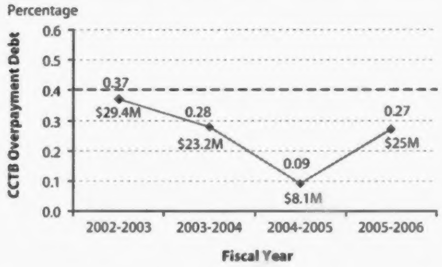
---

22. Including the $610 million in entitlements to the Disability Tax Credit program which are delivered through the T1 assessing process rather than as direct cash payments, the total amount of benefits and credits issued is almost $15.3 billion.
23. Internal CRA Quality Assurance Studies, Monitoring CCTB Application Processing Timeframes, Final Reports for May 2005, August 2005, November 2005 and February 2006.
24. Internal CRA Quality Assurance Study, Activity Types 307/ 308 Processing Timeframes, Final Report, April 2005.
25. Internal CRA Quality Assurance Study, Activity Types 395/ 397 (Accuracy), Final Report, January 2006.
26. Internal CRA Quality Assurance Study, Activity Types 307/ 308 (Accuracy), Final Report, September 2005.

---

27. CCTB First-Time Applicants Survey, September 2005. We are cautious in attributing too much significance to the results due to a low response rate (15%).

Figure 43 CCTB Overpayment Debt as a Percentage of Current Year Payments (and Associated Dollar Amounts)



Data quality: Good

Expanded partnerships – Programs administered for other clients – In addition to all of the ongoing benefit programs we administered, we delivered two new one-time payment programs in 2005-2006:

- the Alberta 2005 Resource Rebate program in January 2006, issuing $1.26 billion to over 2.3 million provincial residents (this is the fifth one-time payment program delivered for a province since 2000, and the second one-time payment program we have delivered for Alberta, following the Alberta Energy Tax Refund program delivered in 2000-2001); and
- the Energy Cost Benefit program for the Government of Canada in January 2006, issuing $357.7 million to over 1.4 million eligible recipients.

We also sunsetted the Nova Scotia Taxpayer Refund program by the April 2006 deadline specified in provincial legislation.

Expanded partnerships – Services provided for other clients – In 2005-2006, we expanded the services we provide by implementing four new income verification data exchanges with provinces using File Transfer Protocol (FTP) methodology. FTP allows us to release limited taxpayer information, with consent, using a secure, two-way, online, electronic data exchange, reducing the need for our offices to release information over the counter.

New Provincial Income Verification FTP Program Partners, 2005-2006

- Service Nova Scotia (Keep the Heat Program)
- Saskatchewan Learning (Student Assistance Program)
- Ontario Ministry of Training, Colleges and Universities (Student Assistance Program)
- Ontario Ministry of Health and Long-Term Care (Trillium Drug Plan)

In 2005-2006, we processed over 11.4 million income verification transactions using FTP. This is an increase of 60% from the 7.1 million processed last year, while verifications using non-FTP methods fell from 1,170,000 to 370,000. There are now 17 provincial programs using our FTP service. Seven additional programs are currently in testing, and we are negotiating with six provinces to enrol 19 more programs.

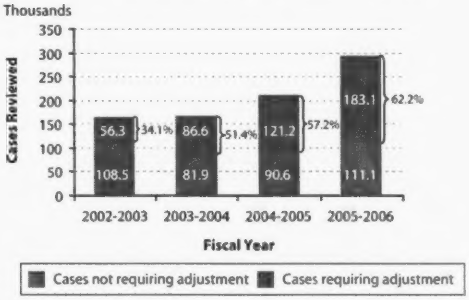
Through the Commissioner's Annual Reports to each province and territory, we report to our clients about the work we do on their behalf.

✓ **Expected Result** – Non-compliance is identified and addressed

Identifying non-compliance – Proper Entitlement – As discussed in the chapter Achieving Our Benefit Programs Strategic Outcome (Figure 8), we estimate that 95.1% of CCTB accounts for 2003-2004 (the benefit year of our most recent random sample study) had complete and accurate payment and account information, just over our target of 95%.

Addressing non-compliance – Reviews and Adjustments – Our validation and controls program target accounts identified as high-risk for potential overpayments or underpayments and demonstrates that we have a credible enforcement presence among recipients. We reviewed over 294,200 benefits accounts in 2005-2006, with a special emphasis on the CCTB program, where we reviewed 5.42% of accounts, just over our 5% target. Overall, we adjusted 183,100 accounts, which represents 62.2% of accounts selected for review (Figure 44), exceeding our target of 50%. This suggests we have effective criteria for selecting accounts for review, given the high percentage of accounts already estimated by our random sample as having complete and accurate payment and account information.

Figure 44 Number of Cases Reviewed – Number and Percentage of Adjustments



Data quality: Good

Dollar Impact of validation programs – For the first time, we can provide the total dollar value of the adjustments we process, involving both cases where we need to recoup benefits and where insufficient benefits were paid. The total overpayments recouped was over $184 million. Where recipients are overpaid, we recoup amounts from payments or other refunds and credits to which the recipient may be entitled and apply them to the outstanding balance. If necessary, we take collection action.

At the same time, adjustments favouring benefit recipients amounted to almost $72 million. We will use the information on the dollar impact gained with this new capacity to help guide future validation work.

Corporate Services (PA7)

We deliver high quality tax and benefit programs. Our Corporate Services program activity supports the CRA in the areas of human resources, finance and administration, information technology, public affairs, agency management, corporate audit and program evaluation, and policy and intergovernmental affairs. These activities are interconnected and, by managing our corporate services in an integrated manner horizontally across the CRA, we ensure that our tax and benefits program activities have the guidance, infrastructure, and resources needed for successful delivery.

The Management Accountability Framework (MAF) assessment conducted by the Treasury Board of Canada Secretariat (TBS) is a good indicator of our performance in managing the functions that make up our Corporate Services program activity. The 2005 MAF assessment commended us in a number of areas and noted that we had made progress in areas raised in the previous year's assessment. While MAF results were generally positive, there were three principal areas where attention is needed. TBS and the Public Service Human Resources Management Agency of Canada did not rate us in areas where our Board of Management has legislated oversight responsibilities.

The following are the MAF elements that summarize TBS expectations for public service management:

- Governance and Strategic Direction
- Public Service Values
- Policy and Programs
- People
- Citizen-focused Service
- Risk Management
- Stewardship
- Accountability
- Learning, Innovation, and Change Management
- Results and Performance

Strategic Priorities

As noted on page 13, our four priorities for the planning period—tax integrity; service to Canadians; business sustainability; and trust and integrity—guided our planning and performance across the CRA in 2005-2006. While these priorities were undertaken to some degree in all of our program activities, Corporate Services focused on the two with the greatest relevance to internal services: business sustainability and trust and integrity.

Business Sustainability

To ensure the capacity to continue to deliver tax and benefit programs at the level of service expected by taxpayers and benefit recipients, we advanced our management regime on a number of fronts.

- We continued our focus on resource review and reallocation, which involved a mix of expenditure reviews for major initiatives, identification of program efficiencies, and re-allocation of funding to higher CRA priorities.
- We aligned our Information Technology Asset Management Plan with our global Asset Management Plan so that the continued development of our corporate services infrastructure is integrated, ensuring that our technology-dependent programs have the equipment they need.
- We strengthened financial planning and increased the accuracy of projections by reinforcing management commitment to good stewardship of resources.
- We continued to enhance our staffing program to contribute to employee development and, further respond to the business needs of the Agency.

Sustained successful delivery of our programs depends on the approximately 44,000 people who work for the CRA from coast to coast to coast. In 2005-2006, Corporate Services ensured that we were able to hire people more efficiently, to ensure that they had—and will continue to have—the competencies they need, and to equip them with the tools and training required for their positions.

Since becoming an agency, we have reduced the length of time it takes to staff positions. In 2005-2006, 73% of pre-qualification processes met or exceeded the pre-agency benchmark for staffing of 166 days.

We continued our systematic approach to managing employees' learning that allows managers to determine learning needs, to prioritize training, and to fund learning activities strategically in relation to our objectives. We invested about 5% of our payroll on learning.

Our employees depend on our information technology systems. Computers, software, and networks are the tools needed by our employees. We conducted work on several levels to ensure that these tools are reliable and available. We introduced the next generation Enterprise IT architecture to improve interoperability and reduce development costs. The continued alignment of our IT Strategy with our business activities to provide state-of-the-art tools has enabled us to reap the full benefits of the knowledge economy. This year, we implemented major systems releases for our tax, benefits, appeals, and charities systems, including systems for the Canada Border Services Agency.

We received five gold and three silver *Government Technology Exhibition and Conference (GTEC)* awards as commendation for our information technology work.

Through our Data Centre Recovery Project, we implemented recovery strategies for mainframe, network, and open systems infrastructures. We significantly advanced the building of our data warehouse, enabling improved organization, integration, and management of data.

We maintained over 250 applications across a distributed computing environment covering more than 500 locations throughout the country; our data centres processed an average of 1.9 million transactions per hour. We supported some 56,000 employees (including CBSA employees), who use six mainframe computers and approximately 1,000 servers.

In 2005-2006, recognizing that communication is the mortar that holds our horizontal foundation together, we implemented a new internal communications policy that emphasizes the role of individual managers in delivering corporate messages to employees. To guide our business decisions, we also implemented a new Integrated Risk Management Policy—under the direction of the newly-created Chief Risk Officer—to ensure a consistent, CRA-wide approach to successful risk management.

We made important progress in revitalizing our Intranet—a vast source of information for our employees regarding all aspects of their duties—making it more robust, unified, and effective.

We recognize that effective and efficient delivery of our program activities depends on effective and efficient internal services. The results for our tax services and benefit programs reflect the effectiveness of our information technology systems, which met or exceeded availability targets so that our employees were able to provide uninterrupted service to Canadians.

We ran the T1 NetFile application on a new platform this year, with no major outages during the peak filing season.

Trust and Integrity

As noted on page 14, this priority is of special importance to the CRA because of the extent of our public dealings. In 2005-2006, we continued to work to merit Canadians' trust, as demonstrated by the A grade for "ideal compliance" under the Access to Information and Privacy Acts, responding within legislated timeframes, respectively, 95.85% and 95.5% of the time.

As well, we maintained trust and integrity by keeping Canadians' personal information secure. In 2005-2006, we met the challenges of safeguarding information from increased accidental or deliberate system security threats. We also acquired network intrusion defence systems for our electronic network and encryption software to protect the data in our computers. We also maintained high standards in the protection of information, facilities, and systems through compliance and monitoring reviews that ensured an adequate policy framework and identified and implemented strategies to protect taxpayer and personal information. We implemented a Security Training and Awareness Strategy for all employees.

Among the initiatives to ensure continued security in the CRA in 2005-2006:

- we completed Threat and Risk Assessments / Technical Security Reviews for a variety of systems, applications, and platforms;
- our Agency Personnel Security Program, in which we completed 13,500 security screening requests; and
- we strengthened our Emergency Management Capacity with the creation of an alternate site for our Emergency Operations Co-ordination Centre should an emergency incapacitate Ottawa's downtown core.

Stewardship of taxpayers' resources remained a high priority in 2005-2006. We continued to improve our corporate administrative systems and controls. This year, the production of our Administered Activities financial statements (page 115) was improved with the automation of previously manual year-end reporting processes. Our resource management systems were enhanced to enable us to report according to the new Program Activity Architecture, which improves the integration of financial and non-financial reporting information for the Management, Resources and Results Structure process. Refinements to project costing and more robust project review and monitoring process for major strategic investment projects helped us better manage our resources.

Stewardship also means ensuring that tax dollars are spent effectively. In 2005-2006, we conducted internal audits and program evaluations that provided objective information, advice, and assurance on the soundness of our activities. We reported the results of the audits and evaluations to the Board of Management's Audit Committee.

Conclusion by the Commissioner

I am pleased to report that, once again, the Canada Revenue Agency (CRA) has demonstrated its capacity to achieve tangible and meaningful results for Canadians, due in large measure to the dedication of CRA employees and our commitment to making the most of the flexibility we gained in becoming an agency.

Our legislated mandate envisions an agency that provides services to other federal departments as well as provincial, territorial, and First Nations governments. Our achievements during this past year provide further evidence of the strength of our core business expertise—administering taxes, collecting revenues, and delivering benefits. Indeed, our new, five-year corporate strategy known as "Agency 2010: A Blueprint for the Next Five Years" has as its foundation our legislative flexibility and our solid record of delivering results.

This past year, we again achieved our two strategic outcomes: tax compliance rates in Canada remained high in 2005-2006 and we issued over 99% of benefit payments accurately and on time. While we recognize that we have more to do in many areas such as reducing the inventory of tax debt, the signing of new agreements with other departments and levels of government in Canada demonstrates a high level of confidence in our world class tax administration.

In tabling this report to Parliament, I sincerely thank our managers, the Union representatives and most importantly all our employees on whom we rely to meet our present and future goals.

Michel Dorais, ICD.D
Commissioner and Chief Executive Officer
Canada Revenue Agency

Agency Governance and the Board of Management

In 1999, the *Canada Revenue Agency Act* established a unique governance structure for the Canada Revenue Agency (CRA). This structure encompasses a direct, legislated relationship among the Minister of National Revenue, Board of Management, and Commissioner, as well as specific, legislated roles and responsibilities for each.

Under the *CRA Act*, the Minister retains overall responsibility and is fully accountable to Parliament for all aspects of the CRA's operations and administration.

The Commissioner of the CRA has a dual accountability, serving both the Minister and the Board of Management. As Chief Executive Officer (CEO), the Commissioner is responsible for the day-to-day management of the CRA. The Commissioner-CEO is accountable to the Minister for the administration of program legislation and is accountable to the Board of Management for the administration of the human resources, financial, and administrative authorities granted by the *CRA Act*. The Commissioner-CEO is also responsible for consulting with and providing information to federal institutions, provinces, and territories for which the CRA administers tax and benefit programs.

The Board of Management is responsible for overseeing: the organization and administration of the CRA; the management of its resources, services, property, personnel, and contracts; and the development of the Corporate Business Plan.

Under the CRA's unique governance structure, the Board has taken on many of the oversight and control functions that were formerly performed by the Treasury Board of Canada Secretariat, the Public Service Commission, and Public Works and Government Services Canada.

The Board can offer advice to the Minister, but it does not have the authority to administer legislation or to access confidential taxpayer information.

Information about Board and committee membership, as well as directors' participation rates, is presented in Schedule A.

The Board's Influence on the CRA

The Board of Management performs an effective review and approval function within its areas of responsibility. In 2005-2006, the Board provided oversight and guidance on issues such as succession planning, accounting and financial systems, infrastructure management, information technology, and performance reporting.

For CRA managers, the discipline inherent in bringing issues before the Board has strengthened the rigour of internal reviews. The Board's guidance and direction have, in turn, directed managers to pursue and implement more effective strategies.

Two key developments in 2005-2006 that will shape the Board's priorities in the years ahead are: a five-year corporate strategy for the CRA; and an enhanced focus on Board governance.

Much of the Board of Management's work focused on four priority areas, each of which is examined in more detail below:

- CRA Corporate Strategy;
- Risk Management;
- Human Resources Management; and
- Board Governance.

CRA Corporate Strategy

At a Governance Committee meeting in May 2005, Board members and CRA managers reflected on the CRA's first five years and together began developing a new, five-year corporate strategy that became known as "Agency 2010: A Blueprint for the Next Five Years".

The three strategic themes identified in Agency 2010 are to build on the strength of our core business expertise, mature the governance model, and expand business opportunities.

Risk Management

Risk management is a key element of business sustainability, and the Board's Governance Committee guided the development of an integrated risk management policy in 2005-2006. In March 2006, the Board approved the new CRA Integrated Risk Management Policy, which formally establishes the Board's important oversight role for risk management within the CRA.

The Board will continue its role in overseeing risk management as strategies and methodologies are developed to support implementation of the new policy.

Human Resources Management

The Board's input regarding human resources management is particularly important because of the CRA's legislated flexibility and autonomy in this area.

Due to anticipated demographic shifts in coming years, the Board increased its focus on succession planning in 2005-2006. The Board reviewed a detailed report on succession plans for management positions at the CRA's most senior levels. As well, the Board reviewed strategies to support succession planning, including demographic analyses, leadership competency profiles, training programs, and the identification of high-potential employees.

The Board established selection criteria for the positions of Commissioner-CEO and Deputy Commissioner-COO (Chief Operating Officer). For the first time, the Board participated in the evaluation of the Commissioner-CEO's performance and also established measurable performance objectives for 2006-2007. These Board activities complemented the federal government's performance assessment process for deputy heads.

In 2005-2006, the Board also oversaw two key human resources initiatives: job classification reform; and the new compensation service delivery system that is being implemented at the CRA.

Board Governance

In 2005-2006, the Board's focus on governance led to the adoption of a number of best-practice principles and processes.

The Board of Management Governance Manual was revised, and a formal process was adopted for preparing Board resolutions. As well, the Board's *Permanent Guidelines on Conflict of Interest* were amended to reflect the October 2004 revisions to the Government of Canada's *Conflict of Interest and Post-Employment Code for Public Office Holders*.

The Board developed a three-year work plan to align Board planning and priorities with the three-year horizon of the CRA's Corporate Business Plan.

The Board's four committees undertake a detailed review of many items before they are brought to the full Board. In 2005-2006, the committees were restructured to better manage the business of the CRA, and each committee developed its own formal charter (available online at www.cra.gc.ca/board) and work plan to guide its activities.

Under the restructuring, the former Finance Committee was reconfigured into two new committees, namely, the Resources Committee and the Audit Committee.

The Resources Committee's mandate includes oversight of information technology, which is recognized as a top priority as the CRA deals with key legacy systems in the coming years.

The Audit Committee's mandate is to review the CRA's: accounting framework; financial and performance information; internal controls and risk tolerance; and compliance with financial and environmental legislation. The Audit Committee's charter positions the CRA to be at the forefront of the

Government of Canada's agenda to strengthen accountability and audit controls.

In line with best practices in governance, all members of the Audit Committee are financially literate and all are independent of CRA management. The Committee has instituted regular in-camera sessions that exclude CRA management with the exception of the head of Internal Audit.

A Partnership that Works

Since its inception in 1999, the CRA Board of Management has evolved into a cornerstone of the management regime that effectively guides this large and diverse organization.

The Board works in partnership with CRA executives to maximize the benefits of the CRA's legislated autonomy in the management of its resources, services, property, personnel, and contracts. This partnership approach is especially important in a time of fundamental change, such as the upcoming five-year period encompassed by the "Agency 2010" corporate strategy.

As noted in this report's Introduction, no other federal entity touches the daily lives of Canadians more than the CRA. While the Board of Management is not directly involved in the delivery of tax and benefit programs, the high-level, strategic nature of the Board's work means that its influence is felt throughout the CRA's internal operations and external service delivery. Ultimately, the benefits of our effectively managed organization are felt by the clients served by the CRA and by the taxpayers and benefit recipients we deal with.

Schedules

Schedule A – The CRA Board of Management

Board Membership

The Board is comprised of 15 members, including the Chair, the Commissioner and Chief Executive Officer, a director nominated by each province, one director nominated by the territories, and two directors nominated by the federal government. Members of the Board bring a private sector perspective and business-like approach to management and, in this regard, have been championing a significant agenda for change within the CRA.

The following table shows Board membership as of March 31, 2006.

Connie I. Roveto, ICD.D
Chair, Board of Management
President
Cirenity Management
Toronto, Ontario

Camille Belliveau, FCGA, CFP
Senior Financial Consultant (self-employed)
Shediac, New Brunswick

Esmail Bharwani, LL.B., FCGA, FCCA
Barrister & Solicitor
Miller Thomson LLP
Calgary, Alberta

L. Bernice Buckle
Corporate Director
Corner Brook, Newfoundland and Labrador

Raymond Desrochers, CA, CFE
Partner
BDO Dunwoody LLP Chartered Accountants
Winnipeg, Manitoba

André Gingras
Founder and Director
André Gingras et Associés inc.
Montréal, Quebec

James J. Hewitt, FCMA
Corporate Director
Penticton, British Columbia

Linda Ivany, FCGA
Corporate Director
Halifax, Nova Scotia

Howard A. Leeson, Ph.D.
Professor of Political Science
University of Regina
Regina, Saskatchewan

James L. MacPhee, CA
Partner
Grant Thornton LLP Chartered Accountants
Montague, Prince Edward Island

Rod Malcolm, CA
Corporate Director
Iqaluit, Nunavut

James R. Nininger, Ph.D.
Corporate Director
Ottawa, Ontario

Stephen E. Rudin, MSPH
Health Care Consultant
Toronto, Ontario

Brock A. Smith
Corporate Director
Toronto, Ontario

Michel Dorais, ICD.D
Commissioner and Chief Executive Officer
Canada Revenue Agency
Ottawa, Ontario

Committee Membership and Director Participation

The Board of Management is supported by four committees that undertake a detailed review of many items before they are brought to the full Board.

The following table shows each committee's membership as of March 31, 2006, as well as individual directors' participation rates:

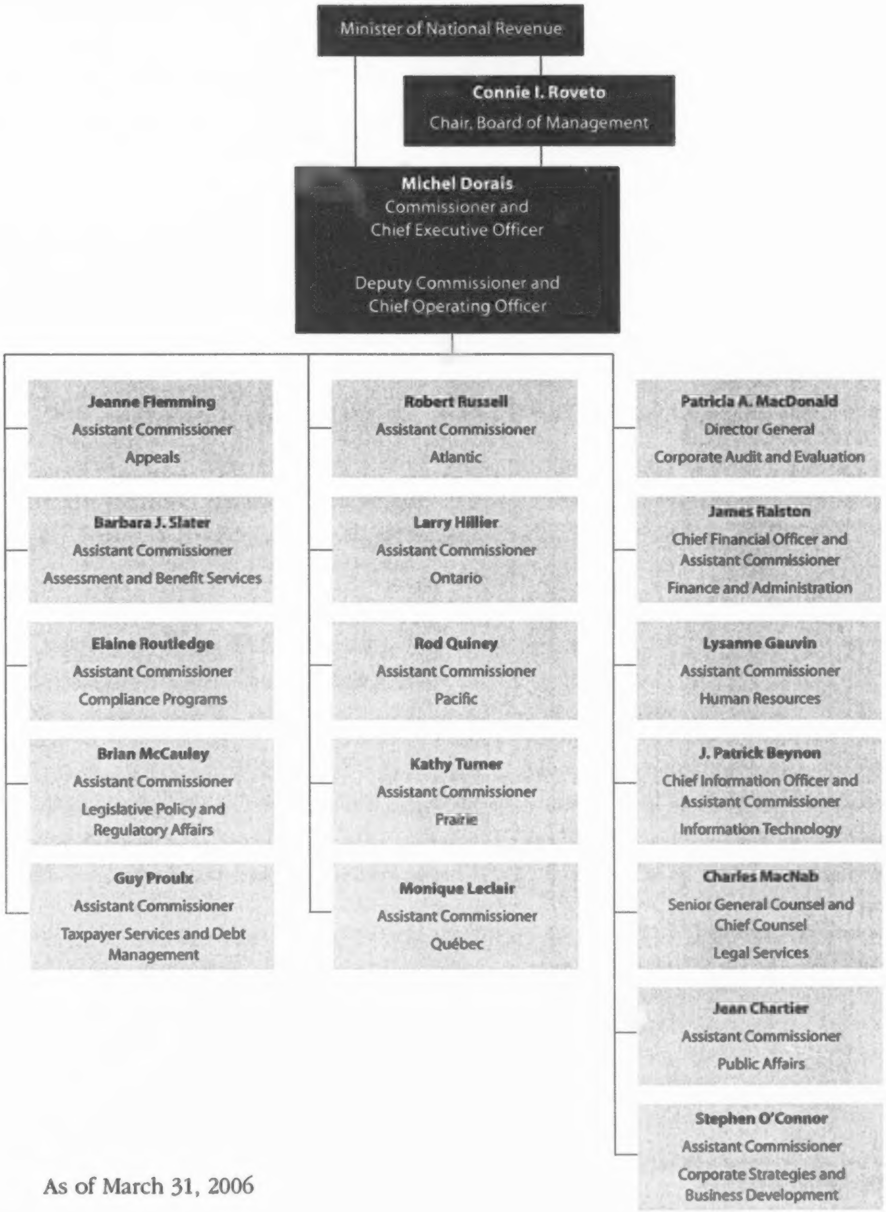
Board Members	Board of Management (Four meetings and five teleconf.)	Audit Committee (Three meetings and six teleconf.)	Resources (Finance) Committee (Four meetings)	Human Resources Committee (Four meetings)	Governance Committee (Five meetings and two teleconf.)	Nomination Sub-Committee (One meeting)
Camille Belliveau	8/9		4/4[2]			
Esmail Bharwani	8/9	8/9	1/1[1]			
Bernice Buckle	9/9		1/1[1]	4/4		
Raymond Desrochers	7/9	7/9				
Michel Dorais	9/9		4/4	4/4	7/7	1/1
André Gingras	9/9		3/3[1]			
Jim Hewitt	9/9	9/9[2]			5/5[1]	
Linda Ivany	8/9		4/4[3]		7/7	
Howard Leeson	8/9			4/4[3]	7/7	1/1
Jim MacPhee	9/9	9/9[3]	1/1[1]		7/7[2]	
Rod Malcolm	9/9		4/4			
Jim Nininger	9/9			4/4		
Connie Roveto	9/9	9/9	4/4	4/4	7/7[3]	1/1
Stephen Rudin	7/9			2/4		
Brock Smith	9/9			4/4[2]	2/2[1]	
Average Attendance	**94%**	**94%**	**100%**	**93%**	**100%**	**100%**

[1] Denotes directors who were appointed to a committee in June 2005 and, as a result, were not members for the entire 2005-2006 fiscal year.

[2] Denotes committee vice-chair.

[3] Denotes committee chair.

Organizational Structure



- Minister of National Revenue
  - **Connie I. Roveto**, Chair, Board of Management
  - **Michel Dorais**, Commissioner and Chief Executive Officer
    - Deputy Commissioner and Chief Operating Officer
      - **Jeanne Flemming**, Assistant Commissioner, Appeals
      - **Barbara J. Slater**, Assistant Commissioner, Assessment and Benefit Services
      - **Elaine Routledge**, Assistant Commissioner, Compliance Programs
      - **Brian McCauley**, Assistant Commissioner, Legislative Policy and Regulatory Affairs
      - **Guy Proulx**, Assistant Commissioner, Taxpayer Services and Debt Management
      - **Robert Russell**, Assistant Commissioner, Atlantic
      - **Larry Hillier**, Assistant Commissioner, Ontario
      - **Rod Quiney**, Assistant Commissioner, Pacific
      - **Kathy Turner**, Assistant Commissioner, Prairie
      - **Monique Leclair**, Assistant Commissioner, Québec
      - **Patricia A. MacDonald**, Director General, Corporate Audit and Evaluation
      - **James Ralston**, Chief Financial Officer and Assistant Commissioner, Finance and Administration
      - **Lysanne Gauvin**, Assistant Commissioner, Human Resources
      - **J. Patrick Beynon**, Chief Information Officer and Assistant Commissioner, Information Technology
      - **Charles MacNab**, Senior General Counsel and Chief Counsel, Legal Services
      - **Jean Chartier**, Assistant Commissioner, Public Affairs
      - **Stephen O'Connor**, Assistant Commissioner, Corporate Strategies and Business Development

As of March 31, 2006

Schedule B – Other Items of Interest

Government-wide Reporting

To meet the Government's commitment to accountability to Parliament that was expressed in *Results for Canadians*, the Treasury Board of Canada Secretariat (TBS) requires that we report progress and achievements on certain management policies and on specific major and government-wide initiatives. The initiatives and policies identified below are addressed throughout this annual report. More detailed information for some of these initiatives is available at the Web links listed in 'Schedule D' on page 85.

Government On-Line

The Government On-Line (GOL) initiative is the Government of Canada's commitment to make government more accessible to all Canadians, improve online service, and build trust and confidence in doing business online. The Public Works and Government Services Canada report *Government On-Line 2006* stated that the CRA "has played a crucial role within the federal government in delivering e-services".

The report cited NetFile as a "well-known example of simplified interaction with government" noting "First-time users are particularly appreciative of the service as it is quick and requires no special skills or knowledge". The report also stated that the CRA's 'My Account' has been cloned for 'My Government Account' which allows Canadians "to create a personalized list of services dealing with multiple government programs" and that the CRA Business Number has been adopted by other federal departments and six provinces enabling almost five million businesses to "register electronically for multiple programs in multiple jurisdictions at one time".

In 2005-2006, the CRA continued to contribute to government-wide initiatives to improve service for Canadians. In its report entitled *Leadership in Customer Service: Building the Trust*, the consulting firm Accenture noted that the CRA is participating in the National Routing Service pilot project which will advance the Canadian government's Secure Channel initiative, a common secure infrastructure to enable service integration.

Sustainable Development

In 2005-2006 we continued implementation of our third Sustainable Development Strategy (SDS) through four goals: environmental excellence in operations, sustainable service delivery, employee engagement, and modern management of sustainable development. During this time, a weighted performance score of 89% was achieved. With one year remaining in the current SDS, we are on track to meet our commitments. Our fourth SDS is scheduled to be tabled in the House of Commons in December 2006. More information regarding sustainable development is available at the Web links listed in 'Schedule D' on page 85.

Travel Policy

The Treasury Board of Canada Secretariat Travel Policy, dated October 1, 2002, contains provisions for efficient and economical travel procedures. The following table outlines the major policy provision differences between the TBS and CRA travel policies. Overall, the CRA has not incurred additional costs with the implementation of its own Travel Policy.

Key policy differences – TBS and CRA

Policy provision	TBS travel directive	CRA travel policy
Meal and incidental allowances	• Incidental expense allowance is $17.30 per day	• Incidental expense allowance is $17.50 per day
	• Reduced to 75% at day 31 when occupying corporate, apartment hotel, or private accommodation	• Reduced to 75% as of day 61 and to 50% as of day 121 in travel status (if period known at the outset, reduced rate to be applied from day 1)
Reimbursement of actual cost of a meal (up to the applicable meal allowance) within the headquarters area	• When reimbursement of meal expenses is clearly reasonable and justifiable as a direct result of an employee's duties	• At the manager's discretion, in situations specified in the Policy, and in certain exceptional circumstances
Reimbursement for distances driven within the headquarters Area	• All distances necessarily driven on government business travel within the headquarters via the most practical, direct, and safe road routes	• Return distance between the workplace and the point of call
Reimbursement of Interac fees on personal access cards	• No provision	• For withdrawals of cash as reasonably required on the trip

User Fees Act

It is the CRA's policy to charge fees for services that provide identifiable recipients with direct benefits. The only exception to this is when overriding public policy or the program objectives would be compromised. Section (7) of the *User Fees Act* requires that every Minister table a report on user fees in effect to Parliament annually, on or before December 31st following the end of each fiscal year.

A summary of the CRA's three user fees under this Act as well as brief descriptions of the program, the type of fee, the authority to charge the fee, and the consultation, analysis and client redress mechanism that are currently in place for each initiative can be found in the financial tables of this report (see Table 7 on page 146).

Response to Parliamentary Committees, Audits, and Evaluations for 2005-2006

The following tables outline the CRA's responses to reports by Parliamentary committees and by the Auditor General in 2005-2006. They also list the internal and external audits and evaluations of the CRA that were published in the past year.

Responses to Parliamentary committee reports
There were no Parliamentary committee reports requiring a response from the CRA in 2005-2006

The links included below are to the Auditor General reports, which include the CRA's response.

Responses to Auditor General reports
Canada Revenue Agency-Verifying Income Tax Returns of Individuals and Trusts http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20051103ce.html
Support to Cultural Industries http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20051105ce.html

External audits
There were no external audits of the CRA conducted in 2005-2006

Internal audits and evaluations

- 2004-2005 Selected Fiscal Year-End Procedures Audit
- Business Continuity Planning Audit
- Charities Directorate
- Contract Payment Reporting System Program Evaluation Study
- Corporate Administration System Utilization Audit
- CPP/EI Base Year (2001-2002) Administrative Costs
- GST/HST Redesign Project
- GST/HST Visitor and Domestic Rebates Programs, Audit of
- Implementation of the Appeals Timeliness Action Plan
- Management Group Performance Management, Audit of
- Memorandum of Understanding on Tax Information Exchange with the ministère du Revenu du Québec
- National Audit of Business Travel and Hospitality Expenses
- Regional Audit of Acquisition Card
- Regional Audit of Assessment and Client Services Tax Centre Program Performance Management
- Scientific Research & Experimental Development Audit

For further information on audits and evaluations please visit: www.cra-arc.gc.ca/agency/internal/menu-e.html under the heading '2005-2006'.

Schedule C – Overall Results against Service Standards

Service standards in the Canada Revenue Agency support program administration and facilitate Canadians' compliance with tax and benefits legislation, thereby contributing to expected outcomes. Service standards are the cornerstone of our performance management system and represent our public commitment to the level of service that taxpayers and benefit recipients can reasonably expect to encounter.

Management sets targets for achieving each service standard based on operational realities and infrastructure, historical performance, degree of complexity of the work, and Canadians' expectations. Standards for front-end processing, for example, generally have shorter timeframes and/or higher targets, while those requiring greater review and analysis have lengthier time standards and/or lower targets. Results that drop significantly below targets signals to managers that remedial action is necessary.

Meeting our service standards targets demonstrates that the organization is efficient and responsive to the needs of taxpayers and benefit recipients. This helps establish credibility in our operations and contributes to increasing the level of confidence that Canadians can place in government.

As well, service standards help to establish the necessary conditions for compliance. For example, the CRA's ability to provide information or seek clarification of taxpayer or benefit recipient information in a timely, predictable way alleviates frustration that can lead to error, or delay decisions. It has long been our belief that by facilitating compliance, we enhance it.

Service standards are not static. In 2005-2006, a number of changes occurred. We successfully implemented and met a new service standard (Statistical Services to External Stakeholders) in response to the new *User Fee Act*. We revised the target downward to 90% for counter service wait-time, as set out in our *2005-2006 to 2007-2008 Corporate Business Plan*. As subsequently approved through this plan, this is the last year we will report on this standard. Our strategy is to offer in-person service by appointment and, in general, migrate taxpayers and benefit recipients to self-serve options which are more timely, accessible, and fair. Also new this year, we are able to report on processing T1013 requests or Taxpayer Representative Identification System (TRIS) for both peak and non-peak tax periods. The need for a service standard for T1 publications continues to be assessed.

Of note, a concerted effort to improve the timely issuance of Statements of Arrears (SOA) and Statement of Interim Payments (SIP) has resulted in significant improvement to results. SOAs were issued to corporations on time in 95% of cases, while SIPs were provided on time in 99% of cases. This compares with 63% and 49% respectively in 2004-2005.

Our registered plans area is undertaking a significant re-engineering initiative to improve compliance monitoring in this industry. In the future, greater emphasis will be placed on audits of registered plans to identify non-compliance, while analysis at the registration stage of a plan will be performed based on risk criteria. Implementing new processes and infrastructure will affect existing service standards and our ability to report on performance. This year, results are available for six months only for the standards applying to deemed and complete plan registration, and to amendments and terminations.

As a management tool, service standards can effectively highlight the need for corrective action when performance does not meet the target. The service standard for advance income tax rulings indicates that the average time to deliver advance rulings has increased to 84 days, in excess of the 60 day average target, while resources have decreased. Less timely rulings may lead taxpayers to undertake questionable transactions, likely resulting in reduced compliance and more costly audit and appeals activities (see page 35).

Service	Service standard	Results 2003-2004	Results 2004-2005	Results 2005-2006
Client Assistance				
1. Problem Resolution Program	Acknowledged within two working days.	94% ✗	98% ☑	98% (see note) ☑
		Target: 100%		
2. Problem Resolution Program	Resolution/client contact within 15 working days	94% ✗	97% ☑	97% (see note) ☑
		Target: 100%		
3. Counter-service wait time	20 minutes (except during peak periods)	81% ✗	90% ✗	89% (see note) ☑
		Target: 100%		Target 90%
4. General telephone enquiries – respond to calls in queue	Within two minutes	Not applicable	81% ✓	80% ✓
		Target: 80%		
5. Business telephone enquiries – respond to calls in queue	Within two minutes	Not applicable	81% ✓	85% ✓
		Target: 80%		
6. Advance income tax rulings to taxpayers	Within an average of 60 days	57 days ☑	62 days ☑	84 days ✗
		Target: within an average of 60 days		
7. Income tax technical interpretations	Within an average of 90 days	82 days ✓	75 days ✓	87 days ✓
		Target: within an average of 90 days		
8. Applications to register pension plans	Deemed registration within 60 days	78% ✗	88% ✓	95% (see note) ✓
		Target: 85%		
9. Applications to register pension plans	Complete review in 180 days	91% ✓	89% ✓	96% (see note) ✓
		Target: 85%		
10. Amendments to registered pension plans	9 months	78% ☑	84% ✓	89% (see note) ✓
		Target: 80%		
11. Termination of registered pension plans	One year	77% ✗	88% ✓	90% (see note) ✓
		Target: 85%		
12. Retirement savings plans (applications to register, amend, or terminate)	Within 60 days	89% ✓	97% ✓	84% ✓
		Target: 80%		
13. Retirement income funds (applications to register, amend, or terminate)	Within 60 days	90% ✓	95% ✓	84% ✓
		Target: 80%		
14. Education savings plans (applications to register, amend, or terminate)	60 days	92% ✓	93% ✓	88% ✓
		Target: 85%		
15. Actuarial valuation reports	9 months	72% ✗	81% ✓	80% ✓
		Target: 80%		
16. Deferred income plans – Response to telephone enquiries	Within 2 working days	100% ✓	100% (see note) ✓	100% ✓
		Target: 100%		

Legend	✓ Met or exceeded target	☑ Target mostly met (at least 95%)	✗ Target not met	New or modified service standard

Service	Service standard	Results 2003-2004	Results 2004-2005	Results 2005-2006
17. Deferred income plans – Response to written enquiries	Within 60 days	64% ✗	69% ✗	75% ✗
		Target: 80%		
18. Deferred Profit Sharing Plans – registration	180 days	Not applicable	85% ✓	79% ☑
		Target: 80%		
19. Deferred Profit Sharing Plans – amendments or termination	270 days (9 months)	Not applicable	82% ✓	68% ✗
		Target: 80%		
20. Charities – respond to telephone enquiries in queue	Within 60 seconds	Not available	90% ✓	86% ✓
		Target: 85%		
Assessment of Returns and Payment Processing				
21. Processing T1 individual income tax returns (paper)	4-6 weeks	4 weeks ✓	Under 4 weeks ✓	Under 4 weeks ✓
		Target: 4 weeks		
22. Processing T1 individual income tax returns (EFILE, TELEFILE, NETFILE)	2 weeks	2 weeks ✓	Under 2 weeks ✓	Under 2 weeks ✓
		Target: 2 weeks		
23. Processing T3 trust returns	Within 4 months	72% ✗	97% ✓	96% ✓
		Target: 95%		
24. Responding to client requested adjustments (T1)	8 weeks	5 weeks ✓	6 weeks ✓	6 weeks (see note) ✓
		Target: 100%		
25. Processing visitor GST/HST rebate applications	4-6 weeks	98% ☑	99% ✓	99.7% ✓
		Target 100%	Target 95%	
26. Processing T2 corporation income tax returns	75% in 50 days	76% ✓	82% ✓	88% ✓
		Target: 75% in 50 days		
	90% in 90 days	93% ✓	96% ✓	96% ✓
		Target: 90% in 90 days		
27. Processing GST/HST returns	21 days	96% ☑	97% ✓	98% ✓
		Target: 95%		(see note)
28. SR&ED Refundable claims	120 days	95% ✓	93% ✓	92% ✓
		Target: 90%		
29. SR&ED Non-refundable claims	365 days	92% ☑	94% ✓	95% ✓
		Target: 90%		
30. SR&ED Claimant-requested adjustments to refundable claims	240 days	95% ✓	95% ✓	94% ✓
		Target: 90%		
31. SR&ED Claimant- requested adjustments to non-refundable claims	365 days	94% ☑	94% ✓	94% ✓
		Target: 90%		
32. Providing Statements of Arrears (SOA) for corporations	Mailed by the end of the month	67% ✗	63% ✗	95% ✓
		Target: 95%		
33. Providing Statements of Interim Payments (SIP) to corporations on a monthly basis	Mailed by the 18th of the month	61% ✗	49% ✗	99% ✓
		Target: 95%		

Legend ✓ Met or exceeded target | ☑ Target mostly met (at least 95%) | ✗ Target not met | New or modified service standard

Service	Service standard	Results 2003-2004	Results 2004-2005	Results 2005-2006
Filing and Remittance Compliance				
34. Processing fairness requests related to accounts receivable and trust accounts programs	4-6 weeks	90% ✓	90% ✓	90% (see note) ✓
		Target: 90%		
Reporting Compliance				
35. Video and film tax credits – Refundable claims – unaudited	60 days	96% ✓	94% ✓	90% ✓
		Target: 90%		
36. Video and film tax credits – Refundable claims – audited	120 days	93% ✓	95% ✓	92% ✓
		Target: 90%		
Appeals				
37. 30-day first contact letter for objections, disputes, and appeals	30 days	89% ✓	90% ✓	89% (see note) ✓
		Target: 85%		
Benefit Programs				
38. Processing CCTB applications	End of second month after month in which application is received	99% ✓	99% ✓	99% (see note) ✓
		Target: 98%		
39. Account maintenance/Responding to written enquiries	End of second month after month in which enquiry is received	98% ✓	99% ✓	97% (see note) ☑
		Target: 98%		
40. Validation and control. Results of review	60 days	92% ✓	98% ✓	93%((see note) ✓
		Target: 90%		
41. Taxpayer Representative Identification System (TRIS)	Processing of T1013s within five days of receipt during non-peak periods	Not applicable	50% ✗	71% (see note) ✗
		Target: 90%		
42. Taxpayer Representative Identification System (TRIS)	Processing of T1013s within 20 days during peak periods	Not applicable	not measured	96% (see note) ✓
		Target: 90%		
Corporate Services				
43. Statistical Services to External Stake holders	Respond to client or taxpayer requests for statistical data within an average of 30 calendar days	Not applicable	Not applicable	28 days (see note) ✓
		Target within an average of 30 calendar days		

Legend	✓ Met or exceeded target	☑ Target mostly met (at least 95%)	✗ Target not met	New or modified service standard

Explanatory notes with respect to *Data Quality* **(DQ)** or significant *Variance* **(V)** in performance:

Where service standards are expressed in terms of a number of days, they refer to calendar days.

Results are rounded to the nearest decimal point.

Standards 1 and 2: *DQ:* The results represent TSO only, not Tax Centres, and are based on a sampling.

Standard 3: *DQ:* The standard does not apply during peak periods. Peak periods are from 10:30 am to 1:00 pm daily, and from 8:15 am to 5:00 pm, March 1 to April 30. **V:** Target lowered for 2005-2006 per our *2006-2007 to 2008-2009 Corporate Business Plan.*

Standards 8, 9, 10 and 11: ***DQ:*** Results represent the first six months of the fiscal. As a result of re-engineering and changes (referenced in our *2006-2007 to 2008-2009 Corporate Business Plan*) to the service standards, monitoring and reporting on these standards was discontinued in November 2006.

Standard 16: ***DQ:*** In 2005-2006 information is based on a manual count of employee reports.

Standard 24: ***DQ:*** The standard applies to straightforward client-requested adjustments, that is, those that pertain to workflows that do not involve waiting for substantive information in order to be resolved.

Standard 27: ***DQ:*** The systems used to determine timeliness of processing of GST/HST returns also include a small volume (about 10%) of other GST workload. Overall, 98.29% of the total workload was done within the 21 days in 2005-2006; thus, we believe that the results are representative.

Standard 34: ***DQ:*** Results are based on an estimate.

Standard 37: ***DQ:*** This standard excludes, for example, those resolved within 30 days, invalid objections, and group objections dealing with a common issue such as pay equity disputes.

Standards 38, 39, 40, 41 and 42: ***DQ:*** In 2005-2006 information was based on a sampling.

Standard 43: ***DQ:*** This is a new service standard and therefore historical data are not applicable.

The following tables provide an update on new standards and targets, deletions, and service standards under development in 2006-2007. During the past year, approval was given through our *2006-2007 to 2008-2009 Corporate Business Plan* to introduce changes to several registered pension plan standards resulting from re-engineering activities. It was also agreed to delete the counter service standard in 2006-2007, in view of changes to the provision of in-person service, and to delete the Statement of Arrears (SOA) standard due to sustainable development concerns that the SOA was often a duplication of information sent to the taxpayer.

New Service Standards and Targets for 2006-2007

Program Activity	Service Standard	Target
Client Assistance	Respond to written enquiries for GST/HST rulings and interpretations within 45 working days of receipt of request	75%
Assessment of Returns & Payment Processing	Assess Excise Tax, Excise Duty and Air Travellers Security Charge returns within 90 days of receipt of a complete return	95%

Deletions of Existing Service Standards for 2006-2007

Program Activity	Service Standard
Client Assistance	Counter service wait times
Assessment of Returns & Payment Processing	Statement of Arrears (SOA)

Service Standards under Development in 2006-2007

Program Activity	Service Standard
Client Assistance	Responding to correspondence related to general and business enquiries • Target – tbd
	Charities – review and respond to applications for charitable registration within four months of receipt of complete application • Target – 80%
	Registered plans (applications, amendments and terminations) and Actuarial Reports - Business re-engineering will lead to revised service standards.
	Respond to telephone enquiries related to GST/HST rulings and interpretations • Target – 85%
	Respond to Canada Child Tax Benefit (CCTB) telephone calls in queue • Target – tbd
Assessment of Returns and Payment Processing	'Change My Return' via 'My Account' • Target – tbd
Reporting Compliance	Part XIII Withholding telephone enquiries • Target – tbd
Benefit Programs	With respect to enquiries relating to either CCTB or GST/HST credit accounts, we will accurately process your information and, if necessary, issue a payment, notice, or letter. • Target – 98%
	With respect to processing CCTB applications we will accurately process your information and, if necessary, issue a payment, notice, or letter. • Target – 98%

Schedule D – Web Links for Additional Information

CRA Web Sites	
Annual Report 2004-2005	www.cra-arc.gc.ca/agency/annual/2004-2005/menu-e.html
Board of Management biographies	www.cra.gc.ca/agency/board/biographies-e.html
Canada Child Tax Benefit	www.cra.gc.ca/benefits/cctb/menu-e.html
Corporate Business Plan 2005-2006 to 2007-2008	www.cra-arc.gc.ca/agency/business_plans/2005/menu-e.html
CRA Commissioner's biography	www.cra.gc.ca/agency/commissioner/menu-e.html
CRA E-services (Government On-Line)	www.cra.gc.ca/eservices/gol/menu-e.html
CRA: The First Five Years	www.cra.gc.ca/agency/review/2005/menu-e.html
External (User) Charging Revenues	www.cra.gc.ca/users
Fairness Provisions	www.cra.gc.ca/agency/fairness/fair-prov-e.html
GST/HST credit	www.cra.gc.ca/benefits/gsthst/menu-e.html
Information for Newcomers to Canada	www.cra.gc.ca/tax/nonresidents/individuals/newcomer-e.html
Interactive Information Service	www.cra.gc.ca/tax/individuals/topics-index/menu-e.html
Minister of National Revenue	www.cra.gc.ca/agency/minister/menu-e.html
National Child Benefit	www.cra.gc.ca/benefits/ncb-e.html
Service Improvement in CRA	www.cra.gc.ca/servicestandards
Sustainable Development	www.cra.gc.ca/agency/sustainable/menu-e.html
Voluntary Disclosures Program	www.cra.gc.ca/agency/fairness/vdp-e.html

Related Web Sites	
Accenture E-Government Report	www.accenture.com/Global/Services/By_Industry/Government/R_and_I/BuildingtheTrustES.htm
Access to Information Act	http://laws.justice.gc.ca/en/A-1/
Canada Border Services Agency	www.cbsa.gc.ca
Citizenship and Immigration Canada	www.cic.gc.ca
Department of Finance Canada	www.fin.gc.ca
Department of Justice Canada	www.justice.gc.ca
Government of Canada	www.canada.gc.ca
Government On-Line initiative	www.ged-gol.gc.ca/index_e.asp
House of Commons	www.parl.gc.ca
Human Resources and Social Development Canada	www.hrsdc.gc.ca
Management, Resources and Results Structure	www.tbs.gc.ca/rma/mrrs-sgrr_e.asp
Privacy Act	http://laws.justice.gc.ca/en/P-21/index.html
The Senate of Canada	http://www.sen.parl.gc.ca/
Treasury Board of Canada Secretariat	www.tbs.gc.ca

Schedule E – Glossary

Abandoned calls	Telephone enquiries in which callers who get into the automated call distributor hang-up before reaching an agent. Hang-ups result from the queue voice message providing the caller with sufficient information, or the caller not wanting to wait any longer.
Accrual accounting	A method in which revenues and expense transactions are recorded for the period in which they are considered to have been earned and incurred.
Caller accessibility	A measure of the percentage of callers who succeed in reaching our telephone service.
Cancellation	The reversal of a penalty or interest that has already been assessed.
Compliance	Adherence to the law. Total compliance with tax laws includes filing, registration, remittance and reporting for taxes and benefits in a voluntary, accurate and timely manner.
Consolidated revenue fund	The Canadian Government bank account that must be used by all departments and agencies. All deposits and all payments must be credited or charged to the consolidated revenue fund through the Receiver General.
Corporate Business Plan	Outlines the CRA's major challenges, directions, and objectives for a three-year period; the strategies to achieve those objectives; and the performance measures to be used to measure progress.
Disposal	An appeals file that has been reviewed, completed, and approved.
Dispute	General term to designate a dispute, objection, or appeal to the Minister made by or on behalf of a taxpayer or benefit recipient, related to a CRA decision.
Eligible/entitled	Meets the requirements to qualify to receive a specific payment/credit.
Enforcement	Actions taken by the CRA to identify and address cases of non-compliance.
Entitlement	The amount due to an entitled person for a specific period.
Expected results	Clear and measurable statements of what the CRA expects to achieve over the planning period, against which our performance will be assessed and reported.
Fairness provisions	Legislation introduced in the early 1990s that provides relief (e.g., forgiveness of interest and penalties) to taxpayers in specific circumstances beyond their control.
Fiscal impact	Total fiscal impact is additional tax identified through our compliance activities and includes federal and provincial tax (excluding Quebec), federal tax refund offset or reduced, interest and penalties, and present value of future tax assessable.
Full-time equivalent (FTE)	In an operating budget, the full-time equivalent is a unit measuring a length of time for employment costs purposes. It includes incidental time necessarily used for annual leave, training, etc.
Governance	A comprehensive term that denotes the institutions and processes by which an organization is directed or controlled.
Indicator	The qualification or quantification of a characteristic that is measured to assess the extent to which an expected result is achieved. In other words, it is a means of knowing whether or not we have achieved a desired result.
Modified cash accounting	A method of recording expenses and revenues, that includes payables or receivables at year-end, even though cash may not have been exchanged.
Non-workable file	A file that is awaiting a court decision, a related file that is pending, a file that is awaiting an opinion from a headquarters appeals office, or (with respect to CPP/EI and tax issues), a file that has been referred to a specialized CPP/EI group for an opinion.
Output	The actual activities, products, or services produced by carrying out a program or an initiative.

Performance	How well an organization, program, etc., is achieving its planned results measured against expected results.
Progressivity	Progressivity refers to the nature of a progressive tax, which is a tax that is larger as a percentage of income for those with larger incomes. It is usually applied in reference to income taxes, where people with more income pay a higher percentage of tax.
Risk	The expression of the likelihood of an event to occur that has the potential to impact the achievement of an organization's objectives. Risk is managed by using a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, and communicating risk issues.
Service standard	A public statement of the level of performance the CRA is committed to, and that Canadians can reasonably expect to encounter.
Set-off	The CRA provides a service that allows tax refunds and GST/HST credits for individuals to be transferred (set off) to pay debts owed to other federal, provincial, or territorial governments programs.
Strategic outcome	A description of the difference an organization is mandated to make that provides long-term benefits to Canadians.
Underground economy	Economic activity that is neither reported or recorded. Thus payment of due taxes is avoided.
Voluntary Disclosures Program	Provides taxpayers with the opportunity to correct past errors or omissions, and to report, without penalty, their tax obligations to the CRA.
Waiver	When penalties or interest have not yet been charged and a decision is made not to charge the amount, either at the taxpayer's request or at the CRA's own initiative.
Write-offs	Uncollectible taxes that are deleted from active inventory of accounts receivable, after the CRA has taken all reasonable collection action, and exhausted all possible means of collection.

Schedule F – Acronyms and Abbreviations

ADR	Alternate Dispute Resolution
CBSA	Canada Border Services Agency
CCTB	Canada Child Tax Benefit
CEO	Chief Executive Officer
CPP	Canada Pension Plan
CRA	Canada Revenue Agency
CSA	Children's Special Allowances
DTC	Disability Tax Credit
EI	Employment Insurance
FTE	Full-Time Equivalent
FTP	File Transfer Protocol
GST	Goods and Services Tax
HST	Harmonized Sales Tax
IT	Information Technology
MAF	Management Accountability Framework
MOU	Memorandum of Understanding
MRRS	Management, Resources and Results Structure

N/A	Not applicable
n/a	Not available
NCB	National Child Benefit
PA	Program activity
SDS	Sustainable Development Strategy
SME	Small and Medium Enterprise
SR&ED	Scientific Research and Experimental Development
T1	Income Tax and Benefit Return for individuals
T2	Corporation Income Tax Return
T4	Statement of earnings and employer deductions
TBS	Treasury Board of Canada Secretariat
TSO	Tax Services Office
UE	Underground economy
VDP	Voluntary Disclosures Program

Financial Statements

Financial Statements Table of Contents

Statement of Management Responsibility 93

Audited Financial Statements – Agency Activities 95

  Management Discussion and Analysis Agency Activities 114

Audited Financial Statements – Administered Activities 115

  Management Discussion and Analysis in Support of Audited Financial Statements 131

Unaudited Supplementary Financial Information 133

  Financial Performance Information – Parliamentary Appropriations 135

  Financial Performance Tables 137

Statement of Management Responsibility

We have prepared the accompanying financial statements of the Canada Revenue Agency according to the accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. Significant accounting policies are set out in Note 2 to the financial statements.

The Agency's management is responsible for the integrity and objectivity of data in these financial statements. To assure objectivity and freedom from bias, these financial statements have been reviewed by the Audit Committee and approved by the Board of Management. The Audit Committee is independent of management and meets with management, the internal auditors, and the Auditor General of Canada on a regular basis. The auditors have full and free access to the Audit Committee.

Some of the information included in the financial statements, such as accruals, and the allowance for doubtful accounts, is based on management's best estimates and judgments with due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains sets of accounts, which provide a record of the Agency's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Agency's *Annual Report* is consistent with these financial statements.

The Agency maintains financial management and internal control systems that take into account costs, benefits, and risks. They are designed to provide reasonable assurance that transactions are within the authorities provided by Parliament and by others such as the provinces and territories, and are executed in accordance with prescribed regulations and the *Financial Administration Act* and properly recorded to maintain the accountability of funds and safeguarding of assets. Financial management and internal control systems are reinforced by the maintenance of internal audit programs. The Agency also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training, and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards, and managerial authorities are understood throughout the organization.

The Auditor General of Canada conducts an independent audit and expresses opinions on the accompanying financial statements.

Approved by:

Michel Dorais, ICD.D
Commissioner and Chief Executive Officer

James Ralston
Chief Financial Officer and Assistant
Commissioner, Finance and Administration

Ottawa, Ontario
August 23, 2006

Audited Financial Statements – Agency Activities

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Board of Management of the Canada Revenue Agency
and the Minister of National Revenue

I have audited the statement of financial position – Agency Activities of the Canada Revenue Agency as at March 31, 2006 and the statements of operations, net liabilities and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency Activities of the Canada Revenue Agency as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 23, 2006

Statement of Financial Position – Agency Activities

as at March 31
(in thousands of dollars)

	2006	2005
ASSETS		
Financial assets		
Cash	134	132
Due from the Consolidated Revenue Fund	241,918	284,034
Accounts receivable (Note 4)	13,342	120,078
	255,394	404,244
Non-financial assets		
Other assets	13,549	13,705
Capital assets (Note 5)	332,225	290,628
	345,774	304,333
TOTAL	**601,168**	**708,577**
LIABILITIES		
Accrued salaries	92,657	106,766
Accounts payable and accrued liabilities	167,048	216,332
Lease obligations for capital assets (Note 6)	2,379	475
Vacation pay and compensatory leave	145,911	124,946
Employee severance benefits (Note 7)	460,998	372,472
Other liabilities	1,110	221
	870,103	821,212
NET LIABILITIES (Note 8)	(268,935)	(112,635)
TOTAL	**601,168**	**708,577**

Contingent liabilities (Note 14) and contractual obligations (Note 15)

The accompanying notes are an integral part of these financial statements.

Approved by:

Michel Dorais, ICD.D
Commissioner and Chief Executive Officer

Connie I. Roveto, ICD.D
Chair, Board of Management

Statement of Operations – Agency Activities

for the year ended March 31
(in thousands of dollars)

	2006	2005
EXPENSES (Note 9)		
Reporting compliance	1,313,366	1,155,956
Assessment of returns and payment processing	943,844	892,870
Filing and remittance compliance	882,871	813,759
Client assistance	397,385	391,935
Appeals	161,742	140,946
Benefit programs	161,477	149,189
TOTAL EXPENSES	3,860,685	3,544,655
NON-TAX REVENUE (Note 10)		
Reporting compliance	40,457	34,329
Assessment of returns and payment processing	91,205	68,316
Filing and remittance compliance	132,968	123,198
Client assistance	29,666	26,409
Appeals	11,996	10,670
Benefit programs	12,437	7,369
TOTAL NON-TAX REVENUE	318,729	270,291
NET COST OF OPERATIONS	**3,541,956**	**3,274,364**

The accompanying notes are an integral part of these financial statements.

Statement of Net Liabilities – Agency Activities

for the year ended March 31
(in thousands of dollars)

	2006	2005
Net liabilities, beginning of year	(112,635)	(189,704)
Net cost of operations	(3,541,956)	(3,274,364)
Current year Parliamentary appropriations used (Note 3(a))	3,177,265	2,887,450
Non-tax revenue not credited to Vote 1 (Note 3(c))	(165,355)	(122,144)
Net cash provided not affecting appropriations in the current year (Note 3(c))	(59,596)	43,014
Services received without charge from other government agencies and departments (Note 11)	475,458	427,570
Change in Due from the Consolidated Revenue Fund	(42,116)	115,543
Net liabilities, end of year	**(268,935)**	**(112,635)**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flow – Agency Activities

for the year ended March 31
(in thousands of dollars)

	2006	2005
Operating activities		
Net cost of operations	3,541,956	3,274,364
Items not affecting cash		
Amortization of capital assets	(53,603)	(43,585)
Net loss on disposal/write-off of capital assets	(8,158)	(789)
Services received without charge from other government agencies and departments (Note 11)	(475,458)	(427,570)
Change in financial assets other than Due from the Consolidated Revenue Fund	(106,734)	83,484
Change in other assets	(156)	1,466
Change in liabilities other than lease obligations for capital assets	(46,987)	(194,107)
Cash used by operating activities	2,850,860	2,693,263
Investing activities		
Acquisition of capital assets funded by current year appropriations	99,111	114,184
Acquisition of capital assets not funded by current year appropriations	4,375	(1,907)
Change in lease obligations for capital assets	(1,904)	2,806
Proceeds from disposal of capital assets	(128)	(26)
Cash used by investing activities	101,454	115,057
Net cash provided by the Government of Canada	**2,952,314**	**2,808,320**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements – Agency Activities

1. Authority and objectives

The Canada Revenue Agency (the "Agency") previously named the Canada Customs and Revenue Agency was established as an agent of Her Majesty of Canada on November 1, 1999, under the *Canada Customs and Revenue Agency Act (CCRA Act)*. The *CCRA Act* was amended, on December 12, 2005, and renamed the *Canada Revenue Agency Act* (*CRA Act*). Originally, the mandate of the Agency was to support the administration and enforcement of tax, customs, and trade legislation as well as other related legislation. As a result of the creation of the Canada Border Services Agency (CBSA) the Agency's mandate regarding the administration of customs legislation is now limited to the collection functions under Part V.1 of the *Customs Act*. As well, effective August 1, 2005, the Agency provides to the department of Human Resources and Social Development Canada (HRSDC) collection services for certain accounts receivable under various acts. The Agency is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue.

The Agency's mandate is to provide support, advice, and services when:

(a) supporting the administration and enforcement of program legislation;

(b) implementing agreements between the Government of Canada or the Agency and the government of a province or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;

(c) implementing agreements or arrangements between the Agency and departments or agencies of the Government of Canada to carry out an activity or administer a program; and

(d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The Agency collects revenues, including income and sales taxes, Canada Pension Plan contributions, Employment Insurance premiums, administers tax legislation, and delivers a number of social benefit programs to Canadians for the federal government as well as for provincial, territorial, and First Nations governments, and collects amounts for other groups or organizations. It is responsible for the administration and enforcement of the following acts or parts of acts: *Air Travelers Security Charge Act*, the *CRA Act*, the *Children's Special Allowances Act*, Part V.1 of the *Customs Act*, section 2 of the *Energy Costs Assistance Measures Act*, the *Excise Act*, the *Excise Tax Act* (including the Goods and Services Tax (GST)/Harmonized Sale Tax (HST) except for GST/HST on imported goods), the *Excise Act, 2001*, the *Income Tax Act*, and others.

In delivering its mandate, the Agency operates under the following program activities:

(a) Reporting compliance: Ensures complete and accurate disclosure by taxpayers of all required information to establish tax liabilities; increases taxpayers' understanding of their tax obligations through outreach activities, client service and education; identifies and addresses non-compliance through risk assessment, audit and investigation; and establishes strategic partnerships with stakeholders to leverage compliance efforts.

(b) Assessment of returns and payment processing: Provides assistance and information to clients; processes returns for tax programs; registers businesses in Canada; processes, assesses and validates information; establishes and maintains account status; manages excise programs; receives payments; and reviews and assesses business processes of the Agency.

(c) Filing and remittance compliance: Identifies and addresses non-compliance with filing and remitting requirements.

(d) Client assistance: Assists individuals, businesses, charities and registered plans in meeting their obligations under tax legislation by providing information, education and outreach services and by responding to enquiries.

(e) Appeals: Provides a timely and impartial dispute resolution process for clients who disagree with decisions taken by the Agency.

(f) Benefit programs: Delivers certain income-based benefits, credits and other services to low- and moderate-income Canadians on behalf of federal, provincial (except Québec), and territorial governments.

2. Summary of significant accounting policies

For financial reporting purposes, the activities of the Agency have been divided into two sets of financial statements: Agency Activities and Administered Activities. The financial statements – Agency Activities include those operational revenues and expenses, which are managed by the Agency and utilized in running the organization. The financial statements – Administered Activities include those revenues and expenses which are managed by someone other than the Agency, such as the federal government, a province or territory, or another group or organization. The purpose of the distinction between Agency and Administered activities is to facilitate, among other things, the assessment of the administrative efficiency of the Agency in achieving its mandate.

As required by section 88(2)(a) of the *Canada Revenue Agency Act*, the financial statements – Agency Activities have been prepared using accounting principles consistent with those applied in the preparation of the financial statements of the Government of Canada. The accounting principles used are consistent with Canadian generally accepted accounting principles for the public sector. A summary of significant accounting policies follows:

(a) Parliamentary appropriations

The Agency is financed by the Government of Canada through Parliamentary appropriations. Accounting for appropriations provided to the Agency does not parallel financial reporting according to Canadian generally accepted accounting principles, as they are based in large part on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position may be different from those provided through appropriations from Parliament. Note 3(b) provides a high-level reconciliation between the two bases of reporting.

(b) Net cash provided by Government of Canada

The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash receipts are deposited to the CRF and all cash disbursements are paid from the CRF. The net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions with departments and agencies.

(c) Expense recognition

Expenses are recognized when goods are received and services are rendered.

(d) Services received without charge from other government agencies and departments

Estimates of amounts for services received without charge from other government agencies and departments are included in expenses.

(e) Revenue recognition

Non-tax revenue is recognized when the services are rendered by the Agency. Non-tax revenue reported in this statement excludes administered revenues such as interest and penalties collected under the authority of the *Income Tax Act*, the *Excise Act*, the *Excise Tax Act*, or other similar legislation.

(f) Capital Assets

All costs of $10,000 or more incurred by the Agency to acquire or develop capital assets (including leasehold improvements) are capitalized and amortized over the useful lives of the assets. Similar items under $10,000 are expensed.

Amortization of capital assets is done on a straight-line basis over the estimated useful lives of assets as follows:

Asset class	Useful life
Machinery, equipment, and furniture	10 years
In-house developed software	7 years
Vehicles and other means of transportation	5 years
Information technology equipment	5 years
Purchased software	3 years
Leased capital assets	Term of the lease

Assets under construction/development are not amortized until completed and put into operation.

(g) Due from the Consolidated Revenue Fund (CRF)

Due from the CRF represents the amount of cash that the Agency is entitled to draw from the CRF without further appropriations to discharge its liabilities. These amounts have been charged to current or prior years' appropriations, but will be paid in the future and include items such as accrued employee salaries, accounts payable, and accrued liabilities.

(h) Employee future benefits

(i) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Agency's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Agency's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Agency. Current legislation does not require the Agency to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

(ii) Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The obligation resulting from the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(i) Vacation pay and compensatory leave

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment. The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and compensatory leave benefits accruing to employees.

(j) Employee benefit plan

The Government of Canada sponsors an employee benefit plan (health and dental) in which the Agency participates. The Agency's contributions to the plan are recorded at cost and charged to personnel expenses in the year incurred. They represent the Agency's total obligation to the plan. Current legislation does not require the Agency to make contributions for any future unfunded liabilities of the plan.

(k) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(l) Foreign Currency

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions.

(m) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported on the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Employee severance benefits, contingent liabilities, and the useful life of capital assets are the most significant items where estimates are used. Actual results could differ significantly from the current estimates. The estimates are reviewed periodically and, as adjustments become necessary, they are reported in the financial statements in the period in which they become known.

3. Parliamentary appropriations

The Agency receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current, or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled below.

(a) Reconciliation of Parliamentary appropriations provided to Parliamentary appropriations used:

	2006	2005
	(in thousands of dollars)	
Parliamentary appropriations — provided:		
Vote 1 – CRA operating expenditures	2,598,979	2,507,830
Less: Relief for Heating Expense payments[1]	(2,884)	(4,161)
Vote 5 – CRA contributions	148,726	161,234
Statutory contributions to employee benefits plans	406,182	375,931
Amounts available for spending per section 60 of the *CRA Act*[2]	129,357	20,190
Spending of proceeds from disposal of surplus Crown assets	407	123
Statutory expenditures:		
Children's Special Allowance Payments[1]	169,611	159,366
Energy Cost Benefit[1]	357,654	–
Other	903	1,008
	3,808,935	3,221,521
Less:		
Appropriations available for future years[2]:		
Operating	(83,399)	(131,650)
Contributions	(17,323)	(33,726)
Appropriation lapsed[2]	(3,683)	(9,329)
Statutory expenditures related to Administered Activities[1]	(527,265)	(159,366)
	(631,670)	(334,071)
Total Parliamentary appropriations used	**3,177,265**	**2,887,450**

[1] In accordance with the division of activities for financial reporting purposes outlined in Note 2, the ex-gratia payments for Relief for Heating Expense, which were authorized through Vote 1 – CRA (Operating expenditures), as well as the payments for Children's Special Allowance and Energy Cost Benefit, are reported as federal administered expenses on the Statement of Administered Expenses and Recoveries of the Agency's Administered Activities financial statements.

[2] Pursuant to section 60(1) of the *CRA Act*, the unexpended balance at the end of the fiscal year can be carried forward to the following year.

(b) Reconciliation of net cost of operations to total Parliamentary appropriations used:

	2006	2005
	(in thousands of dollars)	
Net cost of operations	3,541,956	3,274,364
Expenses not requiring use of current-year appropriations:		
Amortization of capital assets	(53,603)	(43,585)
Adjustment to prior years' accruals	4,894	5,640
Loss on disposal/write-off of capital assets	(8,272)	(815)
Services received without charge from other government agencies and departments (Note 11)	(475,458)	(427,570)
Other	(11,877)	(81,442)
	(544,316)	(547,772)
Asset acquisitions funded by current-year appropriations:		
Capital assets	99,111	114,184
Other assets	3,266	3,098
	102,377	117,282
Net changes in future funding requirements:		
Employee severance benefits	(88,526)	(19,915)
Vacation pay and compensatory leave	(20,965)	(37,269)
Accrued salaries	21,384	(21,384)
	(88,107)	(78,568)
Non-tax revenue (Note 10):		
Non-tax revenue available for spending	127,858	89,933
Non-tax revenue not available for spending	37,497	32,211
	165,355	122,144
Total Parliamentary appropriations used	**3,177,265**	**2,887,450**

(c) Reconciliation of net cash provided by the Government of Canada to Parliamentary appropriations used:

	2006	2005
	(in thousands of dollars)	
Net cash provided by Government of Canada	2,952,314	2,808,320
Non-tax revenue (Note 10)		
Non-tax revenue available for spending	127,858	89,933
Non-tax revenue not available for spending	37,497	32,211
	165,355	122,144
Net cash provided not affecting appropriations in the current year:		
Net changes in accounts payable, accrued liabilities, accrued salaries and other liabilities	(41,120)	115,539
Net changes in cash and accounts receivable	106,734	(83,484)
Other adjustments	(6,018)	(75,069)
	59,596	(43,014)
Total Parliamentary appropriations used	**3,177,265**	**2,887,450**

4. Accounts receivable

	2006	2005
	(in thousands of dollars)	
Accounts receivable – Government of Canada departments and agencies	8,044	115,454
Accounts receivable – External to the Government of Canada	924	979
Advances to employees	2,093	1,933
Salary overpayments	2,556	1,775
	13,617	120,141
Less: Allowance for doubtful accounts	(275)	(63)
	13,342	120,078

5. Capital assets

	(in thousands of dollars)					
Asset Class	Opening costs	Net additions (disposals)	Closing costs	Accumulated amortization	2006 Net book value	2005 Net book value
Machinery, equipment and furniture	14,888	(563)	14,325	9,888	4,437	4,587
Software (purchased and in-house developed and/or in development)	229,271	60,799	290,070	55,925	234,145	199,890
Vehicles and other means of transportation	2,147	(126)	2,021	903	1,118	1,063
Information technology equipment including leased assets (Note 6)	202,266	21,869	224,135	131,610	92,525	85,088
Total	**448,572**	**81,979**	**530,551**	**198,326**	**332,225**	**290,628**

The costs of assets under construction or development, which are not amortized, are $110,191,903 in software and $741,797 in information technology equipment as at March 31, 2006 ($90,809,000 and $742,000 respectively as at March 31, 2005). The amortization expense for the year is $53,603,315 (2005 – $43,584,563).

6. Lease obligations for capital assets

The Agency has entered into agreements to rent information technology equipment under capital leases with a cost of $2,612,160 and accumulated amortization of $163,260 as at March 31, 2006 ($9,708,000 and $9,118,000 respectively as at March 31, 2005). The obligations for the upcoming years include the following:

	2006	2005
	(in thousands of dollars)	
2005-2006	–	480
2006-2007	1,032	–
2007-2008	1,032	–
2008-2009	430	–
Total future minimum lease payments	2,494	480
Less: imputed interest (3.86%)	115	5
Balance of lease obligations for capital assets	2,379	475

7. Employee future benefits

(i) Pension benefits

The Agency and all eligible employees contribute to the Public Service Pension Plan, which is sponsored by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to the increase in the Consumer Price Index.

The Agency's and employees' contributions to the Public Service Pension Plan for the year were as follows:

	2006	2005
	(in thousands of dollars)	
Agency's contributions	300,575	275,539
Employees' contributions	109,087	116,239

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada.

(ii) Severance benefits

The Agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2006	2005
	(in thousands of dollars)	
Employee severance benefits, beginning of year	372,472	352,557
Cost for the year	113,936	41,568
Benefits paid during the year	(25,410)	(21,653)
Employee severance benefits, end of year	**460,998**	**372,472**

8. Net liabilities

Net liabilities represents liabilities incurred by the Agency, net of non-financial assets, which have not yet been funded through appropriations. Significant components of these amounts are employee severance benefits, vacation pay and compensatory leave, and accrued employee salaries. These amounts are expected to be funded by appropriations in future years as they are paid.

9. Expenses by Category

In the Statement of Operations, expenses are presented by program activity. The following presents expenses by category.

	2006	2005
	(in thousands of dollars)	
Personnel		
Salaries	1,943,012	1,830,588
Other allowances and benefits (including employee benefits described in Note 7)	935,722	818,447
	2,878,734	2,649,035
Accommodation	214,928	210,003
Transportation and communications	166,234	148,686
Professional and special services	167,535	144,081
Transfer payments (Note 12)	131,403	127,508
Repair and maintenance	87,634	73,715
Equipment purchases	72,043	74,974
Amortization of capital assets	53,603	43,585
Materials and supplies	45,392	37,201
Other services	21,825	20,495
Loss on disposal/write-off of capital assets	8,272	815
Equipment and other rentals	6,794	6,973
Advertising, printing and related services	4,998	6,723
Other expenses	1,290	861
TOTAL EXPENSES	**3,860,685**	**3,544,655**

10. Non-tax revenue by category

In the Statement of Operations, non-tax revenues are presented by program activity. The following presents non-tax revenues by category. The nature of each category is defined by the treatment permitted from a Parliamentary appropriations perspective.

	2006	2005
	(in thousands of dollars)	
Non-tax revenue credited to Vote 1 – CRA (Operating expenditures)		
Fees for collecting Employment Insurance premiums (from HRSDC)	77,798	76,080
Fees for collecting Canada Pension Plan contributions (from HRSDC)	75,576	72,067
	153,374	148,147
Non-tax revenue available for spending		
Administration fees – provinces and territories	29,827	16,054
Services fees	95,151	70,528
Ruling fees	1,888	1,840
Miscellaneous respendable revenue	992	1,511
	127,858	89,933
Non-tax revenue not available for spending		
Recovery of employee benefit costs	34,967	30,939
Miscellaneous non-tax revenue	2,530	1,272
	37,497	32,211
TOTAL NON-TAX REVENUE	**318,729**	**270,291**

11. Related party transactions

The Agency is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Agency also receives services, which are obtained without charge from other government departments as presented in part (a). All related party transactions entered into by the Agency are in the normal course of business and on normal trade terms applicable to all individuals and enterprises.

(a) Services received without charge from other government agencies and departments:

During the year, the Agency received various services without charge from other government agencies and departments. These services include:

	2006	2005
	(in thousands of dollars)	
Accommodation – Public Works and Government Services Canada (PWGSC)	214,928	210,003
Employer's contribution to the health insurance plan and employee benefit plans – Treasury Board Secretariat (TBS)	177,879	162,603
Legal services – Justice Canada	50,828	49,051
Administration of National Collection Services – HRSDC[1]	25,951	–
Audit services – Office of the Auditor General of Canada	2,210	2,300
Workers' compensation benefits – TBS	2,120	2,053
Payroll services – PWGSC	1,542	1,560
	475,458	427,570

[1] Effective August 1, 2005, the control and supervision of the National Collection Services were transferred from HRSDC to the Agency.

(b) Payables and receivables outstanding at year-end with related parties:

	2006	2005
	(in thousands of dollars)	
Accounts receivable – From other government departments and agencies	8,044	115,454
Accounts payable – To other government departments and agencies	8,749	20,506

12. Contributions

	2006	2005
	(in thousands of dollars)	
Contributions to the Province of Quebec in respect of the joint administration costs of federal and provincial sales taxes	131,403	127,173
Contribution to the Canadian Home Builders' Association to support the "Get It in Writing!" consumer information campaign	–	335
	131,403	**127,508**

13. Board of Management

Pursuant to the *Canada Revenue Agency Act*, a Board of Management is appointed to oversee the organization and administration of the Agency and the management of its resources, services, property, personnel and contracts. Expenses relating to the Board's activities during the year total $1,185,000 (2005 – $940,000) and are included in the net costs of operations. This includes payments in respect of the Board of Management, secretariat staff personnel, travel, and other expenses.

14. Contingent liabilities

The Agency is a defendant in certain cases of pending and threatened litigation which arose in the normal course of operations. The current best estimate of the amount likely to be paid in respect of these claims and potential claims has been recorded in Accounts payable and accrued liabilities. In addition to the amounts accrued, the Agency has estimated a further potential exposure in the amount of $49,019,000 ($14,843,000 as at March 31, 2005).

15. Contractual obligations

The nature of the Agency's activities can result in multi-year contracts and obligations whereby the Agency will be committed to make future payments when the goods are received or the services are rendered. Significant contractual obligations that can be reasonably estimated are as follows:

	2007	2008	2009	2010	2011 and thereafter	Total
			(in thousands of dollars)			
Operating leases	1,292	876	256	57	20	2,501
Total	**1,292**	**876**	**256**	**57**	**20**	**2,501**

16. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

The comparative figures of the Statement of Operations have notably been reclassified to present the revenues and expenses of the Agency by Program Activity. The main changes of the new structure consist of the segregation of tax services related results into four different program activities, as well as the proportional reallocation of the corporate services over the Program Activities.

Management Discussion and Analysis Agency Activities

Introduction

This section of the Financial Statements provides unaudited supplementary information on Agency Activities, as reported in the audited Statement of Operations – Agency Activities. The information is on an accrual basis.

Agency Management

Agency expenditures increased from 2004-2005 to 2005-2006 as a result of new initiatives announced in recent Federal Budgets as well as collective agreement increases for salaries. There is also an increase in Non-Tax Revenue.

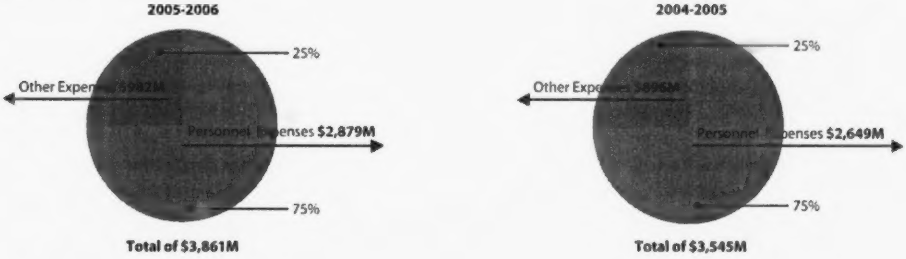
Analysis of Net Cost of Operations (Based on Financial Statements)

The Agency 2005-2006 Net cost of Operations increased by $268 million over 2004-2005. Agency expenses totalled $3,861 million in 2005-2006 and $3,545 million in 2004-2005 (see Note 9 of the Financial Statements — Agency Activities for the breakdown of Personnel and Other Expenses). When adjusting for the receipt of Non-Tax Revenue of $319 million (2004-2005 – $270 million), the Net Cost of Operations becomes:

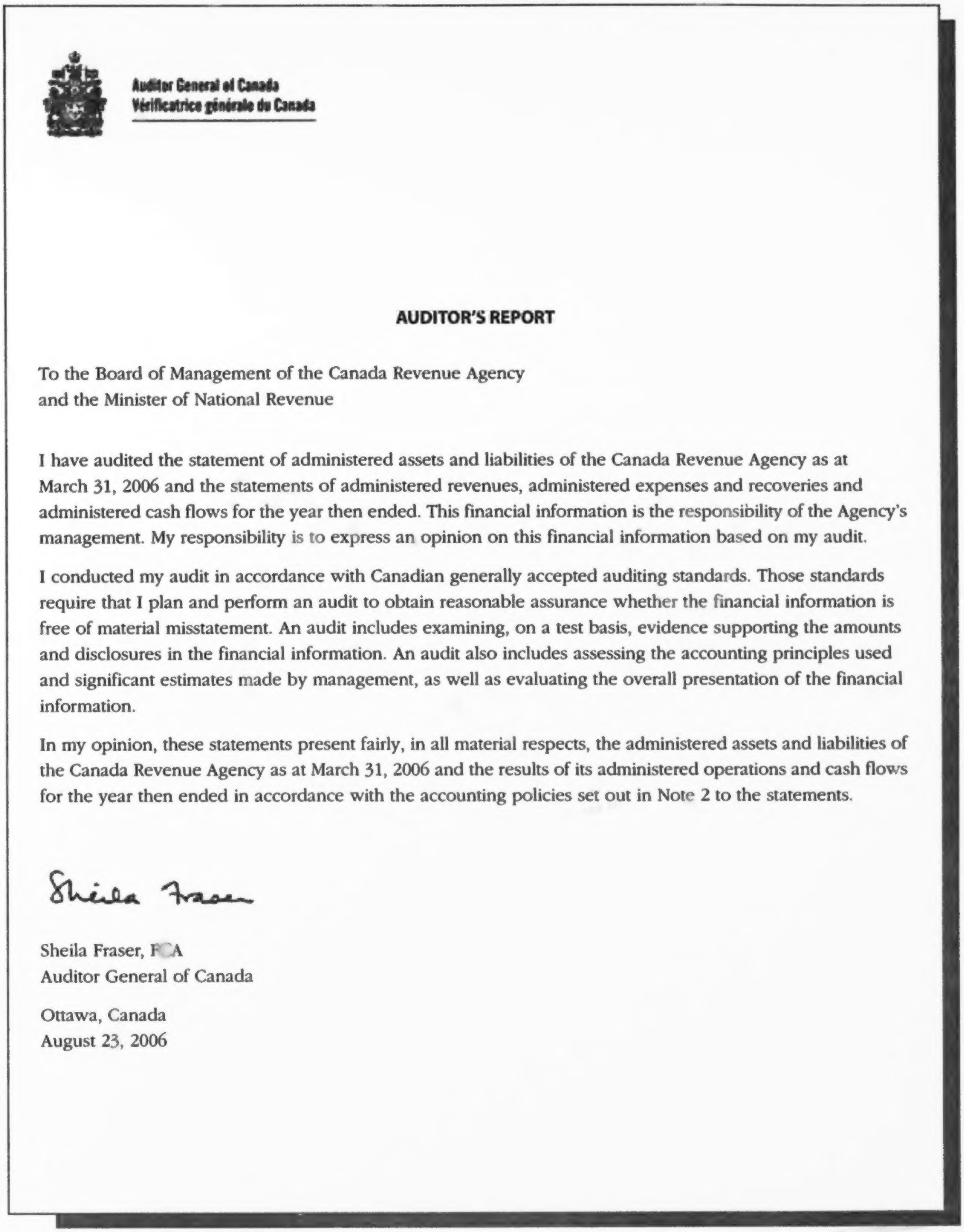
(in thousands of dollars)	2006	2005
Personnel Expenses	2,878,734	2,649,035
Other Expenses	981,951	895,620
Total Expenses	**3,860,685**	**3,544,655**
Less: Non-Tax Revenue	318,729	270,291
Net Cost of Operations	**3,541,956**	**3,274,364**

The Agency's expenses, as detailed in the Statement of Operations, are made up of approximately 75% in personnel expenses (salaries, other allowances and benefits) and 25% in other expenses, as illustrated in the exhibit below. Personnel expenses are the primary drivers for the Agency. A number of factors had a significant impact on the increase of $230 million in personnel expenses in 2005-2006 over 2004-2005. These include increased staff to address initiatives from recent Federal Budgets and other initiatives such as interdepartmental services provision, as well as collective agreement increases. Other expenses increased by $86 million. Much of the other expenses are linked to personnel expenses (e.g., travel for auditors, computers, accommodation, furniture replacement, etc.). Non-tax revenue increased by some $48 million in 2005-2006 over 2004-2005. The increase is attributable to additional services being provided to our clients, including provinces and other federal government departments.

Figure 45 Total Expenses



Audited Financial Statements – Administered Activities



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Board of Management of the Canada Revenue Agency
and the Minister of National Revenue

I have audited the statement of administered assets and liabilities of the Canada Revenue Agency as at March 31, 2006 and the statements of administered revenues, administered expenses and recoveries and administered cash flows for the year then ended. This financial information is the responsibility of the Agency's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In my opinion, these statements present fairly, in all material respects, the administered assets and liabilities of the Canada Revenue Agency as at March 31, 2006 and the results of its administered operations and cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the statements.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 23, 2006

Statement of Administered Assets and Liabilities

as at March 31

(in thousands of dollars)

	2006	2005
ADMINISTERED ASSETS		
Cash on hand	4,874,315	4,220,931
Amounts receivable from taxpayers (net of allowance for doubtful accounts of $4,658,766 in 2006 and $5,740,687 in 2005) (Note 3)	57,941,979	52,529,564
TOTAL ASSETS	**62,816,294**	**56,750,495**
ADMINISTERED LIABILITIES		
Amounts payable to taxpayers (Note 4)	38,374,719	35,623,915
Amounts payable to provinces (Note 5)	211,037	131,896
Deposit accounts (Note 6)	49,646	40,197
	38,635,402	35,796,008
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others (Note 7)	24,180,892	20,954,487
TOTAL LIABILITIES	**62,816,294**	**56,750,495**

Contingent liabilities (Note 8)

The accompanying notes are an integral part of these financial statements.

Approved by:

Michel Dorais, ICD.D
Commissioner and Chief Executive Officer

Connie I. Roveto, ICD.D
Chair, Board of Management

Statement of Administered Revenues

for the year ended March 31
(in thousands of dollars)

	2006	2005
Federal administered revenues		
Income Tax Revenues		
Personal and trust	103,808,232	98,621,957
Corporate	31,724,042	29,955,402
Non-resident	4,528,564	3,560,166
	140,060,838	132,137,525
Other Taxes and Duties		
Goods and Services Tax (Note 9)	10,987,350	9,012,237
Energy taxes	5,023,167	5,008,177
Other Excise taxes and duties	4,227,084	4,456,868
Air Travellers Security Charge	353,006	383,201
	20,590,607	18,860,483
Total Tax Revenues	160,651,445	150,998,008
Employment Insurance Premiums	16,916,659	17,654,806
Interest, penalties and other revenues (Note 10)	3,089,077	3,141,467
Revenues Administered on behalf of the Government of Canada	**180,657,181**	**171,794,281**
Provision for doubtful accounts (Note 3)	(809,890)	(966,854)
Interest expense	(576,087)	(601,280)
Net Revenues Administered on behalf of the Government of Canada	**179,271,204**	**170,226,147**
Provincial, Territorial Governments and First Nations administered revenues		
Income Tax Revenues		
Personal and trust	43,610,131	38,433,560
Corporate	3,913,990	3,060,183
	47,524,121	41,493,743
Harmonized Sales Tax	848,554	735,342
Other Revenues (Note 11)	211,587	195,447
Revenues Administered on behalf of Provincial, Territorial Governments and First Nations	**48,584,262**	**42,424,532**
Net Revenues Administered on behalf of the Canada Pension Plan (Note 12)	**30,115,983**	**28,940,881**
Total Net Administered Revenues	**257,971,449**	**241,591,560**

The accompanying notes are an integral part of these financial statements.

Statement of Administered Expenses and Recoveries

for the year ended March 31
(in thousands of dollars)

	2006	2005
Federal administered expenses		
Child tax benefits	9,199,805	8,687,760
Energy cost benefits	357,654	–
Children's special allowances	169,611	159,366
Relief for heating expenses	2,721	5,562
Federal administered recoveries		
Old Age Security benefits	(911,379)	(745,144)
Employment Insurance benefits	(119,717)	(154,276)
Net Expenses and Recoveries Administered for the Federal Government	**8,698,695**	**7,953,268**
Provincial and Territorial administered expenses		
Alberta resource rebate	1,257,644	–
Family benefits programs	217,149	226,781
Sales tax credits	47,387	45,456
Nova Scotia taxpayer refund program	–	5,537
Net Expenses Administered for Provinces and Territories	**1,522,180**	**277,774**
Total Net Administered Expenses and Recoveries	**10,220,875**	**8,231,042**

The accompanying notes are an integral part of these financial statements.

Statement of Administered Cash Flows

for the year ended March 31
(in thousands of dollars)

	2006	2005
Total Net Administered Revenues	257,971,449	241,591,560
Less provincial revenues paid directly to provinces:		
Revenues administered for Nova Scotia workers' compensation (Note 11)	(202,709)	(189,466)
Less Total Net Administered Expenses and Recoveries	(10,220,875)	(8,231,042)
Change in administered assets and liabilities:		
(Increase) Decrease in cash on hand	(653,384)	13,144
Increase in amounts receivable from taxpayers net of allowance for doubtful accounts	(5,412,415)	(5,529,187)
Increase in amounts payable to taxpayers	2,750,804	2,606,406
Increase in amounts payable to provinces	79,141	48,261
Increase in deposit accounts	9,449	5,980
Net Cash Deposited in the Consolidated Revenue Fund of the Government of Canada	**244,321,460**	**230,315,656**
Consisting of:		
Cash deposits to the Consolidated Revenue Fund	327,669,504	304,824,772
Cash refunds/payments from the Consolidated Revenue Fund	(83,348,044)	(74,509,116)
Net Cash Deposited in the Consolidated Revenue Fund of the Government of Canada	**244,321,460**	**230,315,656**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements – Administered Activities

1. Authority and objectives

The Canada Revenue Agency (the "Agency"), previously named the Canada Customs and Revenue Agency was established as an agent of Her Majesty of Canada on November 1, 1999, under the *Canada Customs and Revenue Agency Act (CCRA Act)*. The *CCRA Act*, was amended, on December 12, 2005, and renamed the *Canada Revenue Agency Act (CRA Act)*. Originally, the mandate of the Agency was to support the administration and enforcement of tax, customs, and trade legislation as well as other related legislation. As a result of the creation of the Canada Border Services Agency (CBSA) the Agency's mandate regarding the administration of customs legislation is now limited to the collection functions under Part V.1 of the *Customs Act*. As well, effective August 1, 2005 the Agency provides to the department of Human Resources and Social Development Canada (HRSDC) collection services for certain accounts receivable under various acts. The Agency is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue.

The Agency's mandate is to provide support, advice and services when:

(a) supporting the administration and enforcement of the program legislation;

(b) implementing agreements between the Government of Canada or the Agency and the government of a province or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;

(c) implementing agreements or arrangements between the Agency and departments or agencies of the Government of Canada to carry out an activity or administer a program; and

(d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The Agency collects revenues, including income and sales taxes, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal government, as well as for provincial, territorial, and First Nations governments and collects amounts for other groups or organizations. It is responsible for the administration and enforcement of the following acts or parts of acts: the *Air Travellers Security Charge Act*, the *CRA Act*, the *Children's Special Allowances Act*, Part V.1 of the *Customs Act*, section 2 of the *Energy Costs Assistance Measures Act*, the *Excise Act*, the *Excise Tax Act* (including the Good and Services Tax (GST) and the Harmonized Sales Tax (HST) except for GST/HST on imported goods), the *Excise Act, 2001*, the *Income Tax Act*, and others.

In the province of Québec, the ministère du Revenu du Québec (MRQ) acts as an agent of the Agency for the administration and enforcement of the GST. The Agency monitors cash transfers made by the MRQ, reports the GST revenues administered on its behalf, authorizes refunds, and transfers funds out of the Consolidated Revenue Fund to the MRQ for the issuing of refunds.

2. Summary of significant accounting policies

For financial reporting purposes, the activities of the Agency are reported as: Administered Activities and Agency Activities. The financial statements – Administered Activities include those revenues and expenses that are administered for someone other than the Agency, such as the federal government, a province or territory, or another organization and for which the related collections and/or disbursements are processed by the Agency through the Consolidated Revenue Fund (CRF). Administered activities such as collection services to other organizations, where the resulting amounts collected are deposited directly to the credit of the responsible organization without being reflected in the Agency's books of account, are reported in the Related party transactions Note 13 only and are not otherwise reflected in the financial statements – Administered activities. The financial statements – Agency Activities include those operational revenues and expenses, which are managed by the Agency and utilized in running the organization. The purpose of the distinction between Administered and Agency activities is to facilitate, among other things, the assessment of the administrative efficiency of the Agency in achieving its mandate.

As required by section 88(2)(a) of the *CRA Act*, the financial statements – Administered Activities are prepared using accounting principles consistent with those applied in the preparation of the financial statements of the Government of Canada. The purpose of these statements is to present the tax and tax-related revenues, expenses, assets, and liabilities that the Agency administers on behalf of the federal government, provincial governments, and other organizations. A summary of the significant accounting policies follows:

(a) Revenue recognition

Revenues are recognized in the year in which the event that generates the revenue occurs. The following policies are applied for specific revenue streams:

(i) Income taxes, Canada Pension Plan contributions, and Employment Insurance premiums:

Income taxes are recognized as revenue when the taxpayer has earned and received the income producing the tax. This is done by determining income earned net of tax deductions and credits allowed under the *Income Tax Act*, including refundable taxes resulting from current year activity. Canada Pension Plan (CPP) contributions are recognized as revenue when the employee or the self-employed person has earned pensionable income. Employment Insurance (EI) premiums are recognized as revenue when the employee has earned insurable earnings.

Revenues for the fiscal year are based on actual amounts assessed/reassessed at the time of preparation of the financial statements and estimates of income tax, CPP contributions and EI premiums not yet assessed/reassessed. The vast majority of these estimates are based on cash payments received at the time of preparation of the financial statements that relate to the fiscal year ended March 31 that have not been assessed or that are awaiting reassessment. Actual results may differ significantly from these estimates. The difference will be recorded in the fiscal year in which the actual assessment/reassessment is completed. No additional estimate of future reassessments is made except in cases where amounts for taxes previously assessed are under objection or are being appealed to various courts and where a reasonable estimate of the loss can be made.

Reassessments include changes made to previously assessed taxes payable at the request of the taxpayer, for example to claim a subsequent loss carry-back, or are initiated by the Agency as a result of applying reporting compliance procedures such as taxpayer audits.

(ii) GST and HST, and Excise taxes and duties:

For the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) on domestic goods and services, the revenue is recognized at the time of the sale of goods or the provision of services. Revenue is reported net of the Input Tax Credits (ITC), GST rebates, and the GST quarterly tax credit. ITC is the recovery of GST/HST paid or owed on purchases related to domestic and imported commercial activities of the taxpayer. The GST quarterly tax credit for lower-income families is recorded in the period to which it relates. It is intended to offset the cost of the tax for lower-income individuals and families.

The determination of these revenues is based on the taxes and duties assessed, and estimates of amounts not yet assessed that relate to the fiscal year ended March 31. These estimates are based on cash payments received at the time of preparation of the financial statements that relate to the fiscal year ended March 31 that have not been assessed.

For Excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Tax Act*. For Excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act* and the *Excise Act, 2001*.

(iii) Other revenue recognition:

Other revenues are recorded when earned. All interest and penalty revenues are reported as revenues administered for the federal government as per the terms of the tax collection agreements with the provinces and territories. Interest and penalties are recorded net of amounts waived under the various tax acts.

(iv) Assessment definition:

An assessment (or reassessment) of tax is defined as all decisions and other steps made or taken by the Minister of National Revenue and officials of the Agency under the federal, provincial and territorial acts or sections of the acts administered by the Agency to determine tax payable by taxpayers. When verifying a taxpayer's return, the Agency uses applicable provisions of the various tax acts it administers as well as other internally developed criteria which are designed to substantially meet the provisions of these acts.

(v) Completeness of tax revenues:

The Canadian tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Agency has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include performing audits of taxpayer records where determined necessary by the Agency. Such procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws. The Agency does not estimate the amount of unreported tax. However, such amounts are included in revenues when assessed.

(b) Expenses

(i) Interest expense:

The Agency incurs interest expenses as a result of late refund payments. These are in large part due to the resolution of long standing corporate tax cases which have been appealed and which are resolved in favour of the taxpayer. The refund payment includes interest accrued since the tax in dispute was initially paid. Accrued interest is recognized when the liability for the related tax case is recognized. The Agency does not estimate these amounts in advance.

(ii) Administered expenses:

Expenses relating to the child tax benefits, the energy cost benefits, the children's special allowances, and the provincial and territorial administered expenses are recorded in the year to which they relate.

(iii) Administered recoveries:

Recoveries of Old Age Security and Employment Insurance benefits are recognized when assessed, with an estimate for amounts not yet assessed. Only recoveries assessed through the personal income tax system are reported by the Agency. Recoveries determined by other federal government departments are not reported in these financial statements.

(c) Cash on hand

Cash on hand includes amounts received in the Agency's offices or by agents of the Agency as at March 31 but not yet deposited to the credit of the Consolidated Revenue Fund of the Government of Canada.

(d) Amounts receivable from taxpayers

Amounts receivable from taxpayers represent taxes and other revenues assessed or estimated by the Agency but not yet collected. A significant portion of the receivable balance is due to the recording of accrued receivables, which relate to the current fiscal year but are not due to be paid by taxpayers until the next fiscal year.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's best estimate of the collectibility of amounts assessed but not yet paid. The allowance for doubtful accounts has two components. A general allowance is calculated based on a periodic review of a sample of accounts receivable with a balance of less than $10 million. A specific allowance is calculated based on an annual review of all accounts over $10 million.

The allowance for doubtful accounts is increased by an annual provision for doubtful accounts and is reduced by amounts written off as uncollectible during the year. The annual provision is reported in the Statement of Administered Revenues because it is associated with the administration of tax and non-tax revenues and is not related to any program expenses. Except for the portion related to the CPP contributions, the provision is charged entirely to revenues administered for the federal government as it assumes all collection risks, as per the terms of the tax collection agreements with the provinces and territories.

(f) Amounts payable to taxpayers

Amounts payable to taxpayers represent tax and interest assessed, or estimated by the Agency, not paid as at March 31. A significant portion of the payable is due to the recording of accrued payables, which relate to the current year but are not due for payment until the next fiscal year. They include refunds resulting from assessments completed after March 31, and estimates of refunds for personal and corporate income tax not yet assessed.

(g) Contingent liabilities

Contingent liabilities are potential liabilities resulting from, for example, previously assessed taxes recorded as revenue, which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or to fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(h) Measurement uncertainty

The preparation of these statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses and recoveries reported. Estimates are used to record tax revenues and the related amounts receivable and payable. Actual results could differ from the estimates and any difference would be recorded in the year the actual amounts are determined. The effect of changes to such estimates and assumptions in future periods could be significant. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable.

3. Amounts receivable from taxpayers

The following table presents details of the amounts receivable from taxpayers as reported in the Statement of Administered Assets and Liabilities. Amounts receivable from individuals, employers, and non-residents taxpayers include income taxes, Canada Pension Plan contributions, Employment Insurance premiums and related interest and penalties receivable.

	2006			2005
	Gross	**Allowance for Doubtful Accounts**	**Net**	**Net**
	(in thousands of dollars)			
Individuals, Employers, and Non-Residents	45,848,235	(2,518,576)	43,329,659	38,877,621
Corporations	7,079,906	(1,209,116)	5,870,790	6,121,209
Goods and services tax (GST) and Excise taxes and duties	9,672,604	(931,074)	8,741,530	7,530,734
Total	**62,600,745**	**(4,658,766)**	**57,941,979**	**52,529,564**

Details of the allowance for doubtful accounts are as follows:

	Allowance for Doubtful Accounts April 1, 2005	**Provision for Doubtful Accounts**	**Write-Offs**	**Allowance for Doubtful Accounts March 31, 2006**
	(in thousands of dollars)			
Individuals, Employers, and Non-Residents	(3,615,237)	(175,553)	1,272,214	(2,518,576)
Corporations	(847,333)	(578,950)	217,167	(1,209,116)
Goods and services tax (GST) and Excise taxes and duties	(1,278,117)	(85,953)	432,996	(931,074)
Total	**(5,740,687)**	**(840,456)**	**1,922,377**	**(4,658,766)**

The provision of $840 million reported above includes an amount of $810 million charged against revenues administered on behalf of the federal government (see Note 2 (e)) and $30 million charged against revenues administered on behalf of the Canada Pension Plan (see Note 12).

4. Amounts payable to taxpayers

The following table presents details of the amounts payable to taxpayers as reported in the Statement of Administered Assets and Liabilities:

	2006	**2005**
	(in thousands of dollars)	
Individuals, Employers, and Non-Residents	23,191,878	20,244,053
Corporations	7,922,380	8,724,475
Goods and services tax (GST) and Excise taxes and duties	7,260,461	6,655,387
Total	**38,374,719**	**35,623,915**

5. Amounts payable to provinces

These are amounts payable directly to a province and consist primarily of amounts payable to Québec for personal income tax withholdings and GST refunds issued by MRQ on behalf of the federal government. Amounts payable to provinces, territories and other organizations, which are settled by other departments such as the Department of Finance for Provincial, Territorial, and First Nations taxes, are not recorded in these financial statements because these amounts are outside of the Agency's responsibility.

6. Deposit accounts

Deposit accounts are established to record cash and securities required to guarantee payment of GST as it relates to non-resident registrants and certain licensees as it relates to excise taxes, which are both payable pursuant to the *Excise Tax Act*. The following table presents details on the deposit accounts as reported in the Statement of Administered Assets and Liabilities:

	2006	**2005**
	(in thousands of dollars)	
Balance, beginning of year	41,888	34,734
Net transactions during the year	9,391	7,154
Balance, end of the year	**51,279**	**41,888**
Less: Securities held in trust	(1,633)	(1,691)
Net deposit accounts	**49,646**	**40,197**

7. Net amount due to the Consolidated Revenue Fund

The net cash deposited in the Consolidated Revenue Fund (CRF) of the Government of Canada includes all amounts collected on behalf of the federal government, provinces, territories, and other organizations by the Agency and deposited in the CRF, less refunds and payments issued from the CRF during the year.

The net amount due to the CRF on behalf of the Government of Canada and others is the difference between administered assets (taxes not yet collected and/or deposited in the CRF) and other administered liabilities payable by the Agency out of the CRF. The change in the net amount due to the CRF during the fiscal year is presented in the table below:

	2006	2005
	(in thousands of dollars)	
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the beginning of the year	20,954,487	18,099,091
Total net administered revenues	257,971,449	241,591,560
Less provincial revenues paid directly to provinces:		
Revenue administered for Nova Scotia workers' compensation (Note 11)	(202,709)	(189,466)
Total net administered expenses and recoveries	(10,220,875)	(8,231,042)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada	(244,321,460)	(230,315,656)
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the end of the year	**24,180,892**	**20,954,487**

8. Contingent liabilities

Contingent liabilities include previously assessed taxes where amounts are under objection or are being appealed to the Tax Court, the Federal Court of Canada or the Supreme Court of Canada. As at March 31, 2006, an amount of $9,694 million was under objection at the Agency level ($9,537 million for 2005) and an amount of $1,742 million was being appealed to the courts ($1,360 million for 2005). The Agency has recorded, in the amounts payable to taxpayers, the estimated amount of objections or appeals that are considered likely to be lost and that can be reasonably estimated.

9. Good and Services Tax revenues

The GST reported on the Statement of Administered Revenues is net of Input Tax Credits (ITC) and rebates administered by the Agency. It does not include GST revenues on imported goods of $23,253 million in 2006 ($21,909 million in 2005), which are administered and reported by the Canada Border Services Agency since April 1, 2004. The Canada Revenue Agency has sole responsibility for the administration of all ITC including those claimed on imported goods. ITC relating to GST on imports are not accounted for separately from ITC relating to GST on domestic transactions.

The following table presents details of the GST revenues administered by the Agency for the Government of Canada as reported in the Statement of Administered Revenues:

	2006	2005
	(in thousands of dollars)	
GST revenues net of ITC and rebates	14,388,842	12,321,750
Less: GST quarterly tax credits	(3,401,492)	(3,309,513)
GST net revenues	**10,987,350**	**9,012,237**

10. Interest, penalties, and other revenues

Various tax legislation gives the Agency the authority, under certain conditions, to collect interest and penalties related to taxes due and regulations not met by taxpayers. The Agency has the authority to waive the interest and penalties that would normally be charged under certain circumstances such as Agency processing delays, financial hardship by taxpayers, or other extraordinary circumstances. Other revenues consist of miscellaneous fees and charges such as court fines and administration charges for dishonoured payments instruments.

	2006	2005
	(in thousands of dollars)	
Gross interest and penalties	3,593,428	4,113,966
Less interest and penalties waived under authority of the:		
Income Tax Act	(492,926)	(929,585)
Excise Tax Act	(27,108)	(48,694)
	(520,034)	(978,279)
Net interest and penalties	3,073,394	3,135,687
Other revenues	15,683	5,780
Interest, penalties, and other revenues	**3,089,077**	**3,141,467**

11. Other Revenues

The following table presents details of the other revenues administered by the Agency for the Provincial and Territorial Governments and First Nations as reported in the Statement of Administered Revenues:

	2006	2005
	(in thousands of dollars)	
First Nations Sales Tax and GST	8,878	5,981
Nova Scotia workers' compensation	202,709	189,466
Total	**211,587**	**195,447**

12. Net Revenues administered on behalf of the Canada Pension Plan

The following table presents details of the net revenues administered by the Agency on behalf of the Canada Pension Plan as reported in the Statement of Administered Revenues:

	2006	2005
	(in thousands of dollars)	
Contributions	30,005,314	28,924,563
Interest and penalties	141,235	112,561
Provision for doubtful accounts	(30,566)	(96,243)
CPP net revenues	**30,115,983**	**28,940,881**

13. Related party transactions

The Agency deposits all monies collected to the CRF. The Department of Finance makes payments out of the Consolidated Revenue Fund to provinces, territories, and other organizations for revenue amounts such as Provincial, Territorial, and First Nations taxes, for which the Agency administers the revenue collection process. Old Age Security benefit recoveries, Canada Pension Plan contributions, net of overpayments refunded by the Agency, and Employment Insurance premiums are credited to the department of Human Resources and Social Development Canada (HRSDC) which administers the Old Age Security program, the Canada Pension Plan, and the Employment Insurance Account. The Agency also administers a refund set-off program by which tax refunds of individuals may be used to pay debts owed by clients under federal, provincial or territorial programs.

The Agency provides collection services to Canada Border Services Agency (CBSA) under Part V.I of the *Customs Act*. As well, effective August 1, 2005 the Agency provides to the department of HRSDC collection services for certain accounts receivable under the *Canada Education Savings Act*, the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Canada Pension Plan* and the *Old Age Security Act*. The related payments are paid directly to either CBSA or HRSDC who are responsible for their deposits to the CRF, as well as their accounting and reporting. These payments are not recorded in the Agency's accounts.

Employment Insurance premiums administered on behalf of the Federal Government include the employer's share of Employment Insurance paid by the Federal Government. GST declared to the Agency includes the GST paid by the federal government to its suppliers on domestic purchases. GST collected by other federal government departments is deposited to the CRF, declared to the Agency, and are included in the GST domestic revenues.

Audited Financial Statements – Agency Activities
Audited Financial Statements – Administered Activities
Unaudited Supplementary Financial Information

Management Discussion and Analysis in Support of Audited Financial Statements

Introduction

The Financial Statements – Administered Activities reflect the total assets and liabilities, tax and non-tax revenues, expenses and recoveries, and cash flows administered by the CRA on behalf of the Government of Canada, provinces, territories, First Nations, and other government organizations. Tax revenues are recognized on an accrual basis and are net of the applicable deductions and credits allowed under various Acts.

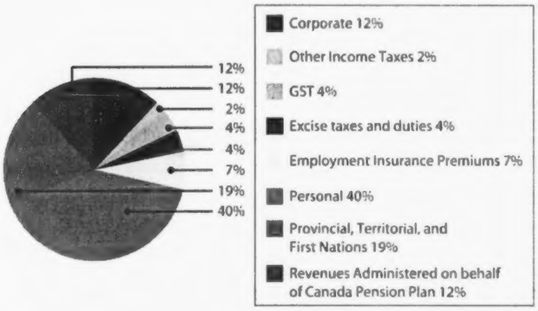
Analysis of Revenues Administered on behalf of the Federal Government of Canada

Federal income tax revenues were $7.9 billion higher in 2005/06 than in 2004/05. Personal and trust income tax revenues increased $5.2 billion, while corporate income tax revenues increased $1.8 billion. Non-resident income tax revenues increased $1 billion. The increase in personal income tax revenues, in spite of significant tax reduction measures, reflects strong real income gains combined with the progressivity of the personal income tax system. The corporate income tax revenue increase resulted from higher corporate profits in 2005, particularly in the energy sector. The rise in non-resident income tax revenue reflected strong growth in dividend payments to non-residents in late 2005.

There was an increase of $1,730 million in other taxes and duties. Domestic GST revenues increased $1,975 million, reflecting increased retail sales. The remaining taxes and duties were $245 million lower, which was attributable to decreased tobacco revenues as a large licensee began moving their domestic production to Mexico starting in October 2005.

Employment insurance premiums decreased $0.8 billion as the reduction in premiums more than offset the impact of gains in employment, wages, and salaries.

Figure 46 Revenues 2005-2006



Unaudited Supplementary Financial Information

Financial Performance Information – Parliamentary Appropriations

Introduction

This section of the *CRA Annual Report to Parliament 2005-2006* provides the details of the Agency's Resource Management performance for purposes of reporting to Parliament on the use of appropriations in 2005-2006. This complements the information provided in the spending profile sections under each Program Activity and satisfies the reporting requirements set for departmental performance reports.

Financial reporting methodologies

The CRA's funding is provided by Parliament through annual appropriations (modified cash accounting basis) and the CRA reports its expenditures and performance to Parliament, together with details on the management of Parliamentary appropriations on the same basis. In addition to the above reporting requirements, the CRA is also required to prepare its annual financial statements in accordance with the accounting principles applied in preparing the financial statements of the Government of Canada (full accrual accounting basis). Accordingly, the audited Statement of Operations – Agency Activities on page 100 includes certain items such as services provided by other government departments. A detailed reconciliation by Program Activity can be found on Table 10, page 156.

CRA financial information

Activities of the Agency

Canada Revenue Agency	**2005-2006** (in thousands of dollars)
Main Estimates	$3,028,896
Planned Spending	$3,450,167
Final Authorities	$3,811,819
Actual Spending	$3,707,414

The Financial Statements – Agency Activities report $3,177.3 million as total Parliamentary appropriations used (Note 3 b page 107 shows the reconciliation to the net cost of operations). Three other items reported in the Financial Statements – Administered Activities are added to make up the total actual spending of $3,707.4 million reported in this section where the modified cash accounting approach is used: the Children's Special Allowance, $169.6 million; the Energy Costs Assistance Measures expenses, $357.7 million and the Relief for Heating Expenses, $2.8 million (part of Vote 1, Program Expenditures).

Overview

For 2005-2006, Parliament had approved planned spending for CRA in the amount of $3,028.9 million through the Main Estimates, as shown in CRA's *2005-2006 to 2007-2008 Corporate Business Plan*.

The 2005-2006 Main Estimates have been adjusted to include: $165.4 million for the Carry-forward from 2004-2005; $145.4 million for Collective Agreements, mainly due to the CRA/PSAC agreement signed December 10, 2004; $95.8 million increase for Respendable Revenue adjustment for information technology services provided to Canada Border Services Agency (CBSA); $45.7 million for Maternity and Severance payments; $27.0 million for Budget measures arising from the 2004 and 2005 Federal Budgets; $10 million increase for the Children's Special Allowance Statutory Authority; and an increase of $0.7 million related to the Canada Pension Plan. Offsetting these increases, the CRA returned $24.7 million in funding to the Treasury Board of Canada Secretariat pending the approval of the Offshore Trusts Initiative legislation and $7.0 million for Department of Justice costs incurred by the Agency between April 1, 2005 and December 31, 2005. The Agency also contributed some $36.8 million related to Expenditure Review Savings for Departmental Initiatives and Procurement Reductions. This resulted in a total approved planned spending of $3,450.2 million for 2005-2006, representing an in-year increase of 13.9% over the original Main Estimates. See Table 3.1 for additional information.

Actual spending for CRA totalled some $3,707.4 million resulting in $104.4 million unexpended at year-end. After removing $3.6 million (reversal of payments to Justice Canada for the January 1, 2006 to March 31, 2006 period) and $0.1 million (unused resources related to the 2005 Advertising Campaign), and $17.3 million related to Vote 5 (Contribution to the Ministère du Revenu du Québec), the remaining $83.4 million in operating funds is available for use by the Agency in 2006-2007. After adjusting for the Justice, Advertising Campaign and Contribution authorities, the lapse represents 3.2% of the operating portion ($2,599.0 million) of the total authorities of $3,811.8 million.

The $83.4 million carry forward to 2006-2007 will be used primarily to focus on selected strategic investments linked to Agency priorities from the Agency 2010 Blueprint such as: Focussing on Core Business (GST/HST Redesign and Integrated Revenue Collections), $50.6 million; Strengthening Core Infrastructure through investments in Network Services enhancements and Data Centre Facilities, $13.0 million; Maintaining Trust and Integrity via investments in Security Modernization and Data Centre Recovery, $10.3 million; Managing Human Resources and Labour Relations through enhanced training such as the Observe and Attest initiative and Student Recruitment and Retention program, $10.1 million; as well as various Business Development initiatives, $2.6 million.

Revenues administered by the Agency

Net revenues administered by the CRA totalled some $257.9 billion, an increase of 6.7% from the $241.6 billion administered in 2004-2005.

	2004-2005	2005-2006
	(in thousands of dollars)	
Federal Government	170,226,147	179,271,204
Provincial, Territorial Governments and First Nations	42,424,532	48,584,262
Canada Pension Plan	28,940,881	30,115,983
Total	**241,591,560**	**257,971,449**

Audited Financial Statements – Agency Activities
Audited Financial Statements – Administered Activities
Unaudited Supplementary Financial Information

Financial Performance Tables

Introduction

The following tables provide financial information about the performance of the Agency during the 2005-2006 fiscal year. The tables compare Main Estimates and Planned Spending, as shown in the *2005-2006 Report on Plans and Priorities* with total authorities at year-end and actual expenditures for the fiscal year.

The information is presented at the Agency level, the Program Activity level and by Functional Branch; as well as by authority and type of revenue and expense.

Financial Tables Index Page

Table 1 Comparison of Planned to Actual Spending (including FTE) 138
Table 2 Use of Resources by Program Activity 139
Table 3 Voted and Statutory Items 140
  3.1 Authorities approved after tabled Main Estimates 140
Table 4 Net Cost of Agency 141
Table 5 Sources of Respendable and Non-Respendable Non-Tax Revenue 142
  5.1 Respendable Non-Tax Revenue 142
  5.2 Non-Respendable Non-Tax Revenue 143
Table 6 Resource Requirements by Functional Organization and Program Activity 144
Table 7 User Fees 146
    7.1 a) Advance Income Tax Ruling Fees 146
    7.1 b) Advance Income Tax Ruling Fees 147
    7.2 a) Taxation Statistical Analyses and Data Processing Fee 148
    7.2 b) Taxation Statistical Analyses and Data Processing Fee 149
    7.3 a) Access to Information Processing Fees 150
    7.3 b) Access to Information Processing Fees 151
Table 8 Details on Project Spending 152
  8.1 Projects – Investment Plan—CRA Investment Expenditure Summary for 2005-2006 152
  8.2 Projects – Asset Management Plan—CRA Asset Management Plan Expenditure Summary for 2005-2006 153
Table 9 Details on Transfer Payment Programs 153
  9.1 Children's Special Allowance Payments (CSA) (Statutory) 153
  9.2 Contribution to the Ministère du Revenu du Quebec for the joint administration costs of federal and provincial sales taxes (Voted) 154
  9.3 Energy Cost Assistance Measures Expenses (Statutory) 155
Table 10 Reconciliation to the Statement of Operations 156

Table 1 Comparison of Planned to Actual Spending (including FTE)

			2005-2006			
(in thousands of dollars)	2003-2004 Actual	2004-2005 Actual[1]	Main Estimates	Planned Spending	Total Authorities[1]	Actual[1]
Client Assistance	293,346	338,007	316,780	360,813	338,256	**331,972**
Assessment of Returns and Payment Processing[2]	744,870	746,723	734,979	847,733	854,089	**811,333**
Filing and Remittance Compliance	565,820	602,412	568,238	658,278	666,106	**651,903**
Reporting Compliance	955,473	968,632	1,022,134	1,157,613	1,148,645	**1,120,846**
Appeals	110,820	105,708	108,414	119,037	130,481	**121,858**
Benefit Programs[3]	275,509	289,495	278,351	306,693	674,242	**669,502**
Total	**2,945,838**	**3,050,977**	**3,028,896**	**3,450,167**	**3,811,819**	**3,707,414**
Less:						
Non-Tax Revenues[4]						
Respendable Revenue – Pursuant to *CRA Act*[5]	22,899	20,190	20,535	116,316	129,357	**129,357**
Plus:						
Cost of services provided without charge	448,956	423,872		474,444	475,458	**475,458**
Net Cost of Agency	**3,371,895**	**3,454,659**		**3,808,295**	**4,157,920**	**4,053,515**
Full-Time Equivalents	**37,323**	**36,368**		**37,498**	**39,384**	**37,577**

[1] Excludes the payments made to Justice Canada during the fiscal year as directed by TBS ($7.1 million in 2003-2004, $9.3 million in 2004-2005 and $3.6 million in 2005-2006).

[2] Includes payment to the Ministère du Revenu du Québec in respect of the joint administration of the Federal and Provincial sales taxes ($119.9 million in 2003-2004, $127.2 million in 2004-2005 and $131.4 million in 2005-2006).

[3] Includes Relief for Heating Expenses (a relief program announced in 2000) ($7.2 million in 2003-2004, $4.2 million in 2004-2005 and $2.9 million in 2005-2006). Also included, in 2005-2006 is the Energy Costs Assistance Measures expenses (a relief program announced in the Fall of 2005) in the amount of $357.7 million.

[4] In the 2005-2006 Report on Plans and Priorities in Table 1 "Agency Planned Spending and Full-Time Equivalents" an amount of some $2.5 billion had been incorrectly deducted in arriving at the Net Cost of Agency. This adjustment now reflects the approach taken in the Audited Financial Statements of the Agency where a clear distinction is made between Agency Activities and Administered Activities.This amount (see Table 5.2) represents interest and penalties collected for personal, corporate and other taxes and are part of the Agency's Administered Activities rather than the Agency's Activities.

[5] The increase in Respendable Revenue is mainly related to the services provided by the Agency to the Canada Border Services Agency (CBSA)

Table 2 Use of Resources by Program Activity

2005-2006 (Budgetary in thousands of dollars)

Program Activity	Operating	Voted Grants & Contributions	Subtotal: Gross Voted Expenditures	Statutory Grants and Contributions	Total Gross Expenditures	Less: Respendable Revenues[1]	Total Net Expenditures
Client Assistance							
Main Estimates	329,501	–	329,501	–	329,501	12,721	316,780
Planned Spending	*374,275*	–	*374,275*	–	*374,275*	*13,462*	*360,813*
Total Authorities	351,690	–	351,690	–	351,690	13,434	338,256
Actual Spending	***345,406***	–	***345,406***	–	***345,406***	***13,434***	***331,972***
Assessment of Returns and Payment Processing[2]							
Main Estimates	648,229	115,000	763,229	–	763,229	28,250	734,979
Planned Spending	*728,745*	*148,726*	*877,471*	–	*877,471*	*29,738*	*847,733*
Total Authorities	735,863	148,726	884,589	–	884,589	30,500	854,089
Actual Spending	***710,430***	***131,403***	***841,833***	–	***841,833***	***30,500***	***811,333***
Filing and Remittance Compliance							
Main Estimates	653,936	–	653,936	–	653,936	85,698	568,238
Planned Spending	*745,747*	–	*745,747*	–	*745,747*	*87,469*	*658,278*
Total Authorities	757,241	–	757,241	–	757,241	91,135	666,106
Actual Spending	***743,038***	–	***743,038***	–	***743,038***	***91,135***	***651,903***
Reporting Compliance							
Main Estimates	1,033,296	–	1,033,296	–	1,033,296	11,162	1,022,134
Planned Spending	*1,169,767*	–	*1,169,767*	–	*1,169,767*	*12,154*	*1,157,613*
Total Authorities	1,157,994	–	1,157,994	–	1,157,994	9,349	1,148,645
Actual Spending	***1,130,195***	–	***1,130,195***	–	***1,130,195***	***9,349***	***1,120,846***
Appeals							
Main Estimates	116,529	–	116,529	–	116,529	8,115	108,414
Planned Spending	*127,248*	–	*127,248*	–	*127,248*	*8,211*	*119,037*
Total Authorities	137,562	–	137,562	–	137,562	7,081	130,481
Actual Spending	***128,939***	–	***128,939***	–	***128,939***	***7,081***	***121,858***
Benefit Programs[3]							
Main Estimates	113,532	–	113,532	167,000	280,532	2,181	278,351
Planned Spending	*132,033*	–	*132,033*	*177,000*	*309,033*	*2,340*	*306,693*
Total Authorities[4]	148,852	–	148,852	527,265	676,117	1,875	674,242
Actual Spending4	***144,112***	–	***144,112***	***527,265***	***671,377***	***1,875***	***669,502***
Total Main Estimates	2,895,023	115,000	3,010,023	167,000	3,177,023	148,127	3,028,896
Total Planned Spending	*3,277,815*	*148,726*	*3,426,541*	*177,000*	*3,603,541*	*153,374*	*3,450,167*
Total Authorities	3,289,202	148,726	3,437,928	527,265	3,965,193	153,374	3,811,819
Total Actual Spending	***3,202,120***	***131,403***	***3,333,523***	***527,265***	***3,860,788***	***153,374***	***3,707,414***

[1] Includes Revenues Credited to Vote 1, i.e. related to the administration of work for Canada Pension Plan and Employment Insurance.

[2] Includes payment to the Ministère du Revenu du Quebec in respect of the joint administration costs of Federal and Provincial sales taxes.

[3] Includes the Children's Special Allowance (CSA) payments.

[4] Includes the Energy Costs Assistance Measures expenses.

Table 3 Voted and Statutory Items

		2005-2006 (in thousands of dollars)			
Vote		**Total Main Estimates**	**Total Planned Spending**	**Total Authorities[1]**	**Actual**
	Canada Revenue Agency				
1	Program expenditures	2,317,891	2,599,655	2,598,979	**2,511,897**
5	Contributions	115,000	148,726	148,726	**131,403**
(S)	Minister of National Revenue and Minister of Western Economic Diversification – Salary and motor car allowance	70	70	72	**72**
(S)	Spending of revenues received through the conduct of its operations pursuant to section 60 of the *Canada Revenue Agency Act*[2]	20,535	116,316	129,357	**129,357**
(S)	Contributions to Employee Benefits Plan	408,400	408,400	406,182	**406,182**
(S)	Children's Special Allowance payments	167,000	177,000	169,611	**169,611**
(S)	Energy Costs Assistance Measures			357,654	**357,654**
(S)	Spending of proceeds from the disposal of surplus Crown Assets			407	**407**
(S)	Court Awards			831	**831**
Total Agency		3,028,896	3,450,167	3,811,819	**3,707,414**

[1] For more details on the authorities approved after the Main Estimates, see Table 3.1

[2] Respendable Revenue increase primarily related to the services provided by the Agency to the Canada Border Services Agency (CBSA)

Table 3.1 Authorities approved after tabled Main Estimates

The following table details the authorities approved for the Agency after the Main Estimates and reconciles with the Total Authorities shown in Table 3.

	(in thousands of dollars)
2005-2006 Main Estimates	**3,028,896**
Carry Forward from 2004-2005	165,375
Collective Agreements	145,395
Respendable Revenue adjustment for Information Technology services provided to CBSA	95,781
Maternity and Severance payments	45,664
Budget Measures Arising from the 2004-2005 Budgets	26,980
Children's Special Allowance adjustment	10,000
Expenditure Review Savings for Departmental Initiatives and Procurement reductions	(36,780)
Offshore Trusts Funding returned to Treasury Board of Canada Secretariat (TBS)	(24,732)
Department of Justice costs (April 1, 2005 to December 31, 2005 period)	(6,998)
Other	586
Planned Spending (RPP)	**3,450,167**
Energy Costs Assistance Measures	357,654
Respendable Revenue adjustment	13,401
Court Awards	831
Crown Assets Disposal	407
Children's Special Allowance adjustment	(7,389)
Reduction to rates – Employee Benefit Plans	(3,252)
Total Authorities at year-end	**3,811,819**

Table 4 Net Cost of Agency

	2005-2006 (in thousands of dollars)
Total Actual Spending	**3,707,414**
Plus: *Services received without charge*	
Accommodations provided by Public Works and Government Services Canada (PWGSC)	**214,928**
Contributions covering employer's share of employee's insurance premiums and expenditures paid by Treasury Board of Canada Secretariat[1]	**177,879**
Salary and associated expenditures of legal services provided by Justice Canada	**50,828**
Administration of National Collection Services by Human Resources and Social Development Canada (HRSDC)	**25,951**
Audit services provided by the Office of the Auditor General	**2,210**
Worker's Compensation coverage provided by HRSDC	**2,120**
Payroll Services provided by PWGSC	**1,542**
Total Services Received Without Charge	***475,458***
Less: *Non-Tax Revenues*[2]	
Respendable Revenue – Pursuant to *CRA Act*	**129,357**
Total Non-Tax Revenues	***129,357***
2005-2006 Net Cost of Agency	**4,053,515**

[1] Represents 8% of the Personnel actuals on a modified cash basis.

[2] Excludes some $2.5 billion of Non-Respendable Non-Tax Revenues (see Note 4 of Table 1)

Table 5 Sources of Respendable and Non-Respendable Non-Tax Revenue

By virtue of its mandate, the CRA is responsible for collecting tax revenue; these are described earlier in the Audited Financial Statements – Administered Activities. The CRA is also responsible for collecting non-tax revenue, similar to other government departments and agencies; these are detailed below, divided between respendable and non-respendable.

Table 5.1 Respendable Non-Tax Revenue

(in thousands of dollars)			2005-2006		
Program Activity	**Actual 2003-2004**	**Actual 2004-2005**	**Planned Revenues**	**Total Authorities**	**Actual**
Client Assistance	16,456	15,798	26,891	27,172	**27,172**
Assessment of Returns and Payment Processing	41,539	39,173	66,559	70,308	**70,308**
Filing and Remittance Compliance	89,059	90,208	116,243	119,293	**119,293**
Reporting Compliance	13,606	13,512	41,802	46,451	**46,451**
Appeals	7,122	7,185	10,180	10,545	**10,545**
Benefit Programs	2,346	2,584	8,422	9,369	**9,369**
Total	170,128	168,460	270,097	283,138	**283,138**
Detail of Respendable Non-Tax Revenue					
Refunds of Previous Year's Expenditures	1,434	470	952	486	**486**
Ruling Fees[1]	1,763	1,881	2,199	1,808	**1,808**
Advance Pricing Agreement	334	354	687	440	**440**
Other Services of a Regulatory Nature	101	132	70	414	**414**
Administration of Provincial Programs[2]	19,822	16,999	22,036	33,889	**33,889**
Other Services of a Non-Regulatory Nature	1,375	1,186	946	1,166	**1,166**
Sales of Goods and Information Products	80	92	225	100	**100**
Other Fees & Charges	43	40	40	44	**44**
Services to Other Government Departments (OGD)[3]	–	–	96,234	96,145	**96,145**
Sub-total	*24,952*	*21,154*	*123,389*	*134,492*	***134,492***
Less: Amounts Recovered on behalf of OGDs[4]	2,053	964	7,073	5,135	**5,135**
Total Respendable Revenue Pursuant to Section 60 of the *CRA Act* (cash receipts)	**22,899**	**20,190**	**116,316**	**129,357**	**129,357**
Proceeds from the Disposal of Surplus Crown Assets	**482**	**123**	**407**	**407**	**407**
Revenues credited to Vote 1					
Canada Pension Plan administration work	68,814	72,067	75,576	75,576	**75,576**
Employment Insurance administration work	77,933	76,080	77,798	77,798	**77,798**
Total Revenues credited to Vote 1	146,747	148,147	153,374	153,374	**153,374**
Total Respendable Non-Tax Revenue	**170,128**	**168,460**	**270,097**	**283,138**	**283,138**

[1] The CRA charges taxpayers (based on a regulated user fee) for providing tax rulings in advance of a transaction taking place (to provide tax certainty).

[2] Comprised mainly of a basic fee charged to the provinces under the tax collection agreements (TCA). Also involves work over and above the TCA (e.g., refund set-off, additional audit coverage, benefit programs).

[3] Comprised mainly of information technology services provided to Canada Border Services Agency (CBSA).

[4] Comprised mainly of amounts recovered on behalf of Public Works and Government Services Canada (PWGSC) and Employee Benefit Plans (EBP).

Table 5.2 Non-Respendable Non-Tax Revenue

(in thousands of dollars)			2005-2006		
Program Activity	**Actual 2003-2004**	**Actual 2004-2005**	**Planned Revenues**	**Total Authorities**	**Actual**
Client Assistance	2,467	2,728	3,450	**3,450**	**3,450**
Assessment of Returns and Payment Processing	5,658	8,504	8,155	**8,823**	**10,322**
Filing and Remittance Compliance	1,930,074	2,557,463	2,551,119	**18,191**	**2,522,340**
Reporting Compliance	2,668	2,137	9,410	**1,815**	**1,815**
Appeals	13,589	10,714	10,331	**2,106**	**14,355**
Benefit Programs	493	1,371	2,511	**3,112**	**3,112**
Total	1,954,949	2,582,917	2,584,976	37,497	**2,555,394**
Detail of Non-Respendable Non-Tax Revenue					
Refunds of previous year's expenditures					
Adjustments to prior year's payables	1,775	5,171	450	4,281	**4,281**
Sales of goods and services					
Public building and property rental					
Lease and use of public property	497	308	185	149	**149**
Services of a regulatory nature					
Other	14	(34)			
Service of a non-regulatory nature					
Administration of provincial programs	70		80		
Special service fees	37				
Other fees and charges					
Recovery of employee benefits	25,921	29,975	30,939	34,967	**34,967**
Deferred Revenues	(81)	(3)			
Other	3,564	964	1,007		
Miscellaneous					
Interest and penalties earned on revenues					
Personal Income Tax	1,841,239	1,789,686	1,789,686	2,026,143	**2,026,143**
Corporations	826,133	976,934	976,933	708,748	**708,748**
GST/HST, Customs Import Duties, Excise and Air Travellers Security Charge	186,101	375,039	375,038	338,503	**338,503**
Interest paid on Refunds					
Personal Income Tax	(85,493)	(67,832)	(67,832)	(81,093)	**(81,093)**
Corporations	(804,433)	(495,792)	(495,792)	(441,534)	**(441,534)**
GST/HST, Customs Import Duties, Excise and Air Travellers Security Charge	(50,245)	(37,656)	(37,656)	(53,460)	**(53,460)**
Other					
Court Fines	8,796	9,040	9,040	12,249	**12,249**
Administration Charge for dishonored payment instrument	2,952	7	2,900		
Interest earned on non-tax revenue – Other	17	21			
Miscellaneous	(2,244)	(3,263)		6,441	**6,441**
Other	329	352			
Total Non-Respendable Non-Tax Revenue	1,954,949	2,582,917	2,584,978	2,555,394	**2,555,394**

Table 6 Resource Requirements by Functional Organization and Program Activity

2005-2006 (in thousands of dollars)

Organization	Client Assistance	Assessment of Returns and Payment Processing	Filing and Remittance Compliance	Reporting Compliance	Appeals	Benefit Programs	Organization Total
Executive Offices							
Main Estimates	520	1,353	1,301	1,613	156	260	5,203
Planned Spending	531	1,381	1,328	1,646	159	266	5,311
Total Authorities	*637*	*1,656*	*1,593*	*1,975*	*191*	*319*	*6,371*
Actual Spending	**589**	**1,531**	**1,472**	**1,825**	**177**	**294**	**5,888**
AC, Policy and Planning Branch[1][2]							
Main Estimates	65,750	121,360	6,115	7,583	734	1,223	202,765
Planned Spending	84,907	155,873	6,872	8,521	825	1,374	258,372
Total Authorities	*82,076*	*159,647*	*10,501*	*13,020*	*1,260*	2,100	268,604
Actual Spending	**74,449**	**140,854**	**9,088**	**11,269**	**1,091**	**1,818**	**238,569**
AC, Assessment and Client Services Branch[3][2]							
Main Estimates	188,918	399,467	–	–	–	241,892	830,277
Planned Spending[4]	199,284	437,555	280	1,637	34	262,828	901,618
Total Authorities[4]	*166,953*	*405,396*	–	–	–	622,687	1,195,036
Actual Spending	**173,225**	**394,211**	–	–	–	620,693	1,188,129
AC, Revenue Collections Branch[2]							
Main Estimates	–	–	460,738	–	–	–	460,738
Planned Spending	–	–	513,467	–	–	–	513,467
Total Authorities	–	–	*490,089*	–	–	–	*490,089*
Actual Spending	–	–	**489,620**	–	–	–	**489,620**
AC, Compliance Programs Branch							
Main Estimates	–	47,837	–	793,733	–	–	841,570
Planned Spending	–	50,264	–	881,655	–	–	931,919
Total Authorities	–	*52,629*	–	*826,726*	–	–	*879,355*
Actual Spending	–	**52,664**	–	**815,957**	–	–	**868,621**
AC, Appeals Branch							
Main Estimates	–	–	–	–	93,345	–	93,345
Planned Spending	–	–	–	–	99,491	–	99,491
Total Authorities	–	–	–	–	*105,504*	–	*105,504*
Actual Spending	–	–	–	–	**97,998**	–	**97,998**
ACs, Regional Operations							
Main Estimates	2,846	7,401	7,116	8,824	854	1,423	28,464
Planned Spending	3,087	8,026	7,717	9,569	926	1,543	30,868
Total Authorities	*3,793*	*9,861*	*9,482*	*11,758*	*1,138*	*1,896*	*37,928*
Actual Spending	**3,543**	**9,212**	**8,858**	**10,984**	**1,063**	**1,772**	**35,432**
AC, Public Affairs Branch							
Main Estimates	4,018	10,447	10,046	12,455	1,205	2,009	40,180
Planned Spending	4,166	10,833	10,416	12,917	1,250	2,083	41,665
Total Authorities	*4,583*	*11,916*	*11,458*	*14,206*	*1,375*	*2,292*	*45,830*
Actual Spending	**4,505**	**11,714**	**11,264**	**13,967**	**1,352**	**2,253**	**45,055**
DG, Corporate Audit and Evaluation Branch							
Main Estimates	1,051	2,732	2,627	3,257	315	525	10,507
Planned Spending	1,110	2,886	2,775	3,441	333	555	11,100
Total Authorities	*1,109*	*2,882*	*2,771*	*3,436*	*333*	*554*	*11,085*
Actual Spending	**1,100**	**2,859**	**2,749**	**3,409**	**330**	**550**	**10,997**

2005-2006 (in thousands of dollars)

Organization	Client Assistance	Assessment of Returns and Payment Processing	Filing and Remittance Compliance	Reporting Compliance	Appeals	Benefit Programs	Organization Total
AC, Finance and Administration Branch							
Main Estimates	25,027	65,069	62,566	77,583	7,508	12,514	250,267
Planned Spending	26,702	69,425	66,754	82,774	8,011	13,351	267,017
Total Authorities	*24,898*	*64,735*	*62,245*	*77,185*	*7,469*	*12,449*	*248,981*
Actual Spending	**23,963**	**62,305**	**59,908**	**74,286**	**7,189**	**11,982**	**239,633**
AC, Human Resources Branch							
Main Estimates	12,575	32,694	31,437	38,981	3,773	6,288	125,748
Planned Spending	16,181	42,071	40,453	50,163	4,854	8,091	161,813
Total Authorities	*14,987*	*38,965*	*37,466*	*46,458*	*4,496*	*7,493*	*149,865*
Actual Spending	**14,796**	**38,469**	**36,989**	**45,867**	**4,439**	**7,398**	**147,958**
AC, Information Technology Branch							
Main Estimates	28,796	74,869	71,990	89,267	8,639	14,398	287,959
Planned Spending	42,897	111,529	107,240	132,977	12,869	21,448	428,960
Total Authorities	*51,019*	*132,648*	*127,546*	*158,157*	*15,306*	*25,509*	*510,185*
Actual Spending	**48,954**	**127,282**	**122,386**	**151,759**	**14,686**	**24,477**	**489,544**
Corporate Accounts							
Main Estimates	-	-	-	-	-	-	-
Planned Spending	(5,331)	(13,859)	(13,328)	(16,525)	(1,599)	(2,665)	(53,307)
Total Authorities	*1,635*	*4,254*	*4,090*	*5,073*	*490*	*818*	*16,360*
Actual Spending	**282**	**732**	**704**	**872**	**614**	**140**	**3,344**
Revenues Credited to the Vote							
Main Estimates	(12,721)	(28,250)	(85,698)	(11,162)	(8,115)	(2,181)	(148,127)
Planned Spending	(12,721)	(28,250)	(85,698)	(11,162)	(8,115)	(2,181)	(148,127)
Total Authorities	*(13,434)*	*(30,500)*	*(91,135)*	*(9,349)*	*(7,081)*	*(1,875)*	*(153,374)*
Actual Spending	**(13,434)**	**(30,500)**	**(91,135)**	**(9,349)**	**(7,081)**	**(1,875)**	**(153,374)**
Total Agency Main Estimates	316,780	734,979	568,238	1,022,134	108,414	278,351	3,028,896
Total Agency Planned Spending	360,813	847,734	658,276	1,157,613	119,038	306,693	3,450,167
Total Agency Authorities	*338,256*	*854,089*	*666,106*	*1,148,645*	*130,481*	*674,242*	*3,811,819*
Total Agency Actual Spending	**331,972**	**811,333**	**651,903**	**1,120,846**	**121,858**	**669,502**	**3,707,414**

---

[1] Includes payment to the Ministère du Revenu du Québec in respect of the joint administration costs of Federal and Provincial sales taxes.

[2] As a result of the January 24, 2006 reorganization, new responsibilities and names were assigned to the following Branches: Policy and Planning Branch became Legislative Policy and Regulatory Affairs Branch and Corporate Strategies and Business Development Branch; Assessment and Client Services Branch became Assessment and Benefit Services Branch and Revenue Collections Branch became Taxpayer Services and Debt Management Branch. Budgets and expenditures were only captured under the new organizations starting April 1st, 2006.

[3] Includes the Children's Special Allowance (CSA) payments.

[4] Includes the Energy Costs Assistance Measures expenses.

Table 7 User Fees

Table 7.1 a) Advance Income Tax Ruling Fees

A. User Fee	Advance Income Tax Ruling Fees	
Fee Type	Regulatory (R)	
Fee Setting Authority	*Financial Administration Act* – 19(b)	
Date Last Modified[B]	April 1990	
2005-2006		
Forecast Revenue ($000)	$2,200	
Actual Revenue ($000)	$1,808	
Full Cost ($000)	$1,808	
Performance Standard[1]	The key service standard target is to issue advance income tax rulings to taxpayers within an average of 60 calendar days of receipt of all essential information. The Income Tax Rulings Directorate's Quality Management System requires a telephone acknowledgement of receipt of the request within 24 business hours. Within 14 days, a review of the file for completeness is conducted and an acknowledgement letter, complete with a contact name and request for any missing information (if required) is sent to the taxpayer. The taxpayer is again contacted by telephone when the file is assigned for processing. Where a delay is unavoidable, taxpayers are contacted and delays are discussed with them.	
Performance Results[1]	Actual 2005-2006 results: 84 days	
Planning Years	**Forecast Revenue ($000)**	**Estimated Full Cost ($000)**
2006-2007	$1,700	$1,700
2007-2008	$1,700	$1,700
2008-2009	$1,700	$1,700
Sub-total:	**$5,100**	**$5,100**
B. Other Information: N/A		
C. Other Information: N/A		

[1] Note:
According to prevailing legal opinion, where the corresponding fee introduction or most recent modification occurred prior to March 31, 2004 the:

- Performance standard, if provided, may not have received Parliamentary review;
- Performance standard, if provided, may not respect all establishment requirements under the *User Fees Act (UFA)* (e.g., international comparison; independent complaint address);
- Performance results are not legally subject to *UFA* section 5.1 regarding fee reduction for failed performance.

Table 7.1 b) Advance Income Tax Ruling Fees

A. External Fee	Advance Income Tax Ruling Fees
Service Standard[1]	The key service standard target is to issue advance income tax rulings to taxpayers within an average of 60 calendar days of receipt of all essential information. The Income Tax Rulings Directorate's Quality Management System requires a telephone acknowledgement of receipt of the request within 24 business hours. Within 14 days, a review of the file for completeness is conducted and an acknowledgement letter, complete with a contact name and request for any missing information (if required) is sent to the taxpayer. The taxpayer is again contacted by telephone when the file is assigned for processing. Where a delay is unavoidable, taxpayers are contacted and delays are discussed with them.
Performance Result[1]	Actual 2005-2006 results: 84 days
Stakeholder Consultation	Client satisfaction questionnaires were sent out to all advance income tax ruling clients for a 2-year period from October 2002 through October 2004. We also conducted a client satisfaction measurement program for other aspects of our service. Based on our summary study in early 2005, the most satisfied group of clients we have are our advance income tax rulings clients whereby responding clients from this group indicated a satisfaction rate in excess of 95%.
B. Other Information: N/A	

[1] Note:
As established pursuant to the Policy on Service Standards for External Fees:

- Service standards may not have received Parliamentary review;
- Service standards may not respect all performance standard establishment requirements under the *User Fees Act (UFA)* (e.g., international comparison; independent complaint address);
- Performance results are not legally subject to *UFA* section 5.1 regarding fee reduction for failed performance.

Table 7.2 a) Taxation Statistical Analyses and Data Processing Fee

A. User Fee	Taxation Statistical Analyses and Data Processing Fee	
Fee Type	Regulatory (R)	
Fee Setting Authority	*Financial Administration Act – 19 (b)*	
Date Last Modified[B]	1992	
2005-2006		
Forecast Revenue ($000)	$42	
Actual Revenue ($000)	$414	
Full Cost ($000)	$414	
Performance Standard[1]	Provide statistical data to taxpayers within an average of 30 calendar days of receipt of all essential information.	
Performance Results[1]	Average provision time for requested data was 27.77 days	
Planning Years	**Forecast Revenue ($000)**	**Estimated Full Cost ($000)**
2006-2007	$150	$150
2007-2008	$150	$150
2008-2009	$150	$150
Sub-total:	**$450**	**$450**
B. Date Last Modified: N/A		
C. Other Information: N/A		

[1] Note:

According to prevailing legal opinion, where the corresponding fee introduction or most recent modification occurred prior to March 31, 2004 the:

- Performance standard, if provided, may not have received Parliamentary review;
- Performance standard, if provided, may not respect all establishment requirements under the *User Fees Act (UFA)* (e.g., international comparison; independent complaint address);
- Performance results are not legally subject to *UFA* section 5.1 regarding fee reduction for failed performance.

Table 7.2 b) Taxation Statistical Analyses and Data Processing Fee

A. External Fee	Taxation Statistical Analyses and Data Processing Fee
Service Standard[1]	Provide statistical data to taxpayers within an average of 30 calendar days of receipt of all essential information.
Performance Result[1]	Average provision time for requested data was 27.77 days.
Stakeholder Consultation	Client satisfaction surveys were sent to all external clients. The responses received indicated a satisfaction rate in excess of 90%.
B. Other Information: Client satisfaction surveys were sent to all external clients. The responses received indicated a satisfaction rate in excess of 90%.	

[1] Note:
As established pursuant to the Policy on Service Standards for External Fees:

- Service standards may not have received Parliamentary review;
- Service standards may not respect all performance standard establishment requirements under the *User Fees Act (UFA)* (e.g., international comparison; independent complaint address);
- Performance results are not legally subject to *UFA* section 5.1 regarding fee reduction for failed performance.

Table 7.3 a) Access to Information Processing Fees

A. User Fee	Fees charged for the processing of access requests filed under the *Access to Information Act*	
Fee Type	(O)	
Fee Setting Authority	*Access to Information Act*	
Date Last Modified [B]	1992	
2005-2006		
Forecast Revenue ($000)	$40	
Actual Revenue ($000)	$44	
Full Cost ($000)	$44	
Performance Standard[1]	Processing time of 30 calendar days for the *Access to Information Act*, with no time limit for the extension period. CRA's internal processing standard is 90%, which is the equivalent of a Grade "B" on the rating scale of the Information Commissioner of Canada.	
Performance Results[1]	96.53% of the requests made under the *Access to Information Act* were processed within the legislative timeframe. Based on the rating scale of the Information Commissioner of Canada, we received an "A" for our performance for the April 1 to November 30, 2005 period.	
Planning Years	**Forecast Revenue ($000)**	**Estimated Full Cost ($000)**
2006-2007	$40	$40
2007-2008	$40	$40
2008-2009	$40	$40
Sub-total:	**$120**	**$120**
B. Date Last Modified: N/A		
C. Other Information: It is the Canada Revenue Agency 's practice to waive Reproduction fees where the total owing per request is less than $25.		

[1] Note:
According to prevailing legal opinion, where the corresponding fee introduction or most recent modification occurred prior to March 31, 2004 the:

- Performance standard, if provided, may not have received Parliamentary review;
- Performance standard, if provided, may not respect all establishment requirements under the *User Fees Act (UFA)* (e.g., international comparison; independent complaint address);
- Performance results are not legally subject to *UFA* section 5.1 regarding fee reduction for failed performance.

Table 7.3 b) Access to Information Processing Fees

A. External Fee	Access to Information Processing Fees
Service Standard[1]	Processing time of 30 calendar days for the *Access to Information Act*, with no time limit for the extension period. CRA's internal processing standard is 90%, which is the equivalent of a Grade "B" on the rating scale of the Information Commissioner of Canada.
Performance Result[1]	96.53% of the requests made under the *Access to Information Act* we're processed within the legislative timeframe. Based on the rating scale of the Information Commissioner of Canada, we received an "A" for our performance for the April 1 to November 30, 2005 period.
Stakeholder Consultation	The service standard is established by the *Access to Information Act* and the *Access to Information Regulations*. Consultations with stakeholders we're undertaken for amendments done in 1986 and 1992.
B. Other Information: It is the Canada Revenue Agency's practice to waive Reproduction fees where the total owing per request is less than $25.	

[1] Note:
As established pursuant to the Policy on Service Standards for External Fees:

- Service standards may not have received Parliamentary review;
- Service standards may not respect all performance standard establishment requirements under the *User Fees Act (UFA)* (e.g., international comparison; independent complaint address);
- Performance results are not legally subject to *UFA* section 5.1 regarding fee reduction for failed performance.

Table 8 Details on Project Spending

Table 8.1 Projects – Investment Plan—CRA Investment Expenditure Summary for 2005-2006

(in thousands of dollars) Investment Plan Initiative	Prior Years' Expenditures to March 31, 2005	2005-2006			
		Planned FTEs	Planned Spending	Actual FTEs	Actual Spending
Assessment and Benefit Services Branch					
Government On-line Round 4	1,977	41	3,604	52	4,421
Remittance Image Archiving and Retrieval	6,837	26	1,700	26	1,700
Individual Identification System Modification		10	1,000	12	811
Business Services Investment Envelope					
OLAS / OLP	32,669	9	570	9	608
GST/HST Redesign	64,689	371	36,132	372	43,329
GST Return Redesign		1	146	1	84
T2 Development	2,157	23	1,400	17	1,396
Sub-total	**108,329**	**481**	**44,552**	**489**	**52,349**
Taxpayer Services and Debt Management Branch					
Integrated Revenue Collections	13,207	128	16,857	109	15,139
Call Centre Enhancements	369	2	2,704	3	2,355
PAYDAC		33	2,366	24	1,614
Non-Tax Collections – Systems Integration		31	2,000	35	2,122
Sub-total	**13,576**	**194**	**23,927**	**171**	**21,230**
Compliance Programs Branch					
Business Integration and System Support	9,699	100	8,569	100	8,256
Sub-total	**9,699**	**100**	**8,569**	**100**	**8,256**
Appeals Branch					
Fairness System Review	2,520	3	131	3	124
Sub-total	**2,520**	**3**	**131**	**3**	**124**
Public Affairs Branch					
Intranet Renewal	0	8	700	8	741
Sub-total	**0**	**8**	**700**	**8**	**741**
Information Technology Branch					
Business Intelligence BI/DS	5,248	27	3,000	22	2,587
Security Modernization		27	5,000	17	4,429
IT Infrastructure Envelope (SAI, E-Comm, DCR)					
Data Centre Recoverability	30,162	45	10,362	66	10,775
Service Availability	30,083	52	6,500	28	4,935
Data Centre St-Laurent			1,000		933
Data Centre Heron Road			1,000		1,000
Sub-total	**65,493**	**151**	**26,862**	**133**	**24,659**
Corporate Strategies And Business Development Branch					
Performance Measurement Program[1]	15,101	25	2,710	13	1,279
Sub-total	**15,101**	**25**	**2,710**	**13**	**1,279**
Finance and Administration Branch					
Activity Based Costing (ABC)	930		40		40
Administrative Reform and Renewal (ARR)	13,026	2	3,772	2	3,772
FIS (including additional)	19,526	30	2,737	20	1,561
Sub-total	**33,482**	**32**	**6,549**	**22**	**5,373**
Human Resources Branch					
Agency Classification Standard (ACS)	2,865	8	1,606	1	213
HR Resourcing	5,560	3	160	1	81
COmpensation Service Delivery Renewal (Pay Comp/ESS/MSS)	21,119	206	21,855	115	21,658
HR Operational Tracking (CAS Org Position Mgt)	2,303	1	42		10
Sub-total	**31,847**	**218**	**23,663**	**117**	**21,962**
Total	**280,047**	**1,212**	**137,663**	**1,056**	**135,973**

[1] Was Balanced Scorecard

Table 8.2 Projects – Asset Management Plan—CRA Asset Management Plan Expenditure Summary for 2005-2006

(in thousands of dollars) Asset Class	Actual 2003-2004	Actual 2004-2005	2005-2006 Planned Spending	2005-2006 Actual Spending
Real Property – Operating and Maintenance	26,983	9,983	17,760	15,604
Vehicles	180	683	382	199
Servers, Mainframe and Annual Software Renewal and Maintenance	76,188	117,260	72,677	72,677
Desktops and Laptops	17,847	25,176	20,760	20,448
Training Devices			378	339
LAN Printers			1,250	1,250
Total	**121,198**	**153,102**	**113,207**	**110,517**

Table 9 Details on Transfer Payment Programs

Table 9.1 Children's Special Allowance Payments (CSA) (Statutory)

Start Date: Aug. 28, 1995[1]	End Date: Ongoing	Total Expenditures: $1,124,577,000 to date including 2005-2006

Description of Transfer Payment Program: Tax-free monthly payments made to agencies and foster parents who are licensed by provincial or federal governments to provide for the care and education of children under the age of 18 who physically reside in Canada and who are not in the care of their parents. CSA payments are equivalent to Canada Child Tax Benefit payments. CSA payments are governed by the *Children's Special Allowances Act* which provides that this allowance be paid out of the Consolidated Revenue Fund.

Objective(s), expected result(s) and outcomes: The Canada Revenue Agency's second strategic outcome states that "eligible families and individuals receive timely and correct benefit payments contributing to the integrity of the income security system". In this context, the specific objective of the CSA is to ensure that children in care receive their rightful share of entitlements. According to the *CSA Act*, the CSA payments "shall be applied exclusively toward the care, maintenance, education, training or advancement of the child in respect of whom it is paid."

Achieved results or progress made: Monthly payments were made to 292 agencies on behalf of 55,818 children. Payments were issued on schedule, no delays were reported.

	Actual 2003-2004	Actual 2004-2005	Planned Spending 2005-2006	Total Authorities 2005-2006	Actual 2005-2006	Variance Planned / Actual
Program Activity	(in thousands of dollars)					
Benefit Programs						
Total Grants	147,424	159,366	177,000	169,611	169,611	(7,389)
Total Contributions	–	–	–	–	–	–
Total Other Transfer Payments	–	–	–	–	–	–
Total Program Activity	147,424	159,366	177,000	169,611	169,611	(7,389)
Total	**147,424**	**159,366**	**177,000**	**169,611**	**169,611**	**(7,389)**

Comment on variance: N/A

Significant Evaluation Findings and URL to Last Evaluation: N/A

---

[1] Responsibility for CSA Statutory Vote payment was transferred effective August 28, 1995 from Human Resources and Social Development Canada (P.C. Order 1995-342)

Table 9.2 Contribution to the Ministère du Revenu du Quebec for the joint administration costs of federal and provincial sales taxes (Voted)

Implementation Date: April 18, 1991	End Date: Ongoing	Total Expenditures: $1,490,804,000 to date including 2005-2006

Description of Transfer Payment Program: Canada had recommended to Parliament legislation to establish a tax under Part IX of the *Excise Tax Act* to be known as the Goods and Services Tax (GST) replacing the existing sales tax imposed under the *Excise Tax Act*. Canada offered the provinces the administration of the GST within the territory of their province on condition that they harmonize their provincial tax to GST. Quebec agreed to this proposal and recommended to the Parliament of Quebec legislation to amend its consumption tax base in order to make it substantially comparable with the GST tax base, subject to Quebec's constitutional powers. Under the GST Agreement, Quebec administers the GST within its territory in compliance with national standards, with specific terms and conditions signed by both the CRA and the Ministère du Revenu du Québec (MRQ). The MRQ receives a compensation not exceeding what Canada would incur if the GST were administered by the CRA. Compensation is calculated annually according to a formula agreed upon in the GST agreement.

Objective(s) expected, result(s) and outcomes:

The GST agreement was entered into by Canada and Quebec with a common desire to:

Minimize duplication in the joint administration of the GST and the QST;

Reduce the costs related to such administration;

Ensure the protection of the revenue of both governments;

Facilitate compliance with the GST and the QST;

Provide a high level of service to the public.

Achieved results or progress made: All goals were met as planned and within budget. Starting in 2006-2007, this program will no longer be reported as a Contribution but will be treated in the same manner as the collection of GST in all other provinces and territories and included in the cost of operations of the CRA.

	Actual 2003-2004	**Actual 2004-2005**	**Planned Spending 2005-2006**	**Total Authorities 2005-2006**	**Actual 2005-2006**	**Variance Planned / Actual**
Program Activity	(in thousands of dollars)					
Assessment of Returns and Payment Processing						
Total Grants	–	–	–	–	–	–
Total Contributions	119,855	127,173	115,000	148,726	131,403	17,323
Total Other Transfer Payments	–	–	–	–	–	–
Total Program Activity	119,855	127,173	115,000	148,726	131,403	17,323
Total	**119,855**	**127,173**	**115,000**	**148,726**	**131,403**	**17,323**

Comment on variance: The agreement sets out a financial formula which determines the amount of the payment that the Government of Canada must pay. The payment is calculated based on actual costs incurred, subject to the formula, which is based on the number of GST registrants; the productivity achieved by the Agency in the rest of the country; and the average salary rate in Quebec's Ministère du revenu. The joint total administration costs are shared on a 50/50 basis.

Significant Evaluation Findings and URL to Last Evaluation: N/A

Table 9.3 Energy Cost Assistance Measures Expenses (Statutory)

Implementation Date: Fall 2005	End Date: December 31, 2008	Total Expenditures: $357,654,000 to date

Description of Transfer Payment Program: The Energy Cost Benefit (ECB) Program is a one-time payment issued to low-income families with children and to seniors. Families entitled to receive the National Child Benefit (NCB) supplement will receive $250 and seniors entitled to receive the Guaranteed Income Supplement (GIS) will receive $125 or $250 for senior couples. It is estimated that 3.1 million payments will be effected under the ECB consisting of 1.5 million payments by the Canada Revenue Agency to families receiving the NCB and 1.6 million payments by Human Resources and Social Development Canada to seniors receiving the GIS.

Objective(s), expected result(s) and outcomes: The Canada Revenue Agency's second strategic outcome states that "eligible families and individuals receive timely and correct benefit payments contributing to the integrity of the income security system". In this context, the specific objective of the ECB is to ensure that eligible recipients receive their rightful share of entitlements.

Achieved results or progress made: ECB payments administered by the Canada Revenue Agency were issued by cheque starting on January 12 2006, or will be issued after the assessment of the prospective recipients 2004 tax returns, whichever is the latest.

	Actual 2003-2004	**Actual 2004-2005**	**Planned Spending 2005-2006**	**Total Authorities 2005-2006**	**Actual 2005-2006**	**Variance Planned / Actual**
Program Activity	(in thousands of dollars)					
Benefit Programs	–	–	–	357,654	357,654	–
Total Grants	–	–	–	–	–	–
Total Contributions	–	–	–	–	–	–
Total Other Transfer Payments	–	–	–	–	–	–
Total Program Activity	–	–	–	357,654	357,654	–
Total	**–**	**–**	**–**	**357,654**	**357,654**	**–**

Comment on variance: N/A

Significant Evaluation Findings and URL to Last Evaluation: N/A

Table 10 Reconciliation to the Statement of Operations

(in thousands of dollars)	2005-2006 Total Agency
Total Actual Spending [1] (from Table 1 and 4)	**3,707,414**
Services provided without charge	475,458
Respendable revenue	(129,357)
	4,053,515
Adjustments to accrual from modified cash	18,427
Relief for heating expenses	(2,721)
Children's Special Allowance (CSA)	(169,611)
Energy cost assistance	(357,654)
Total Net Cost of Operations (from Statement of Operations – Agency Activities) [2]	**3,541,956**

[1] Actual spending, on a modified cash basis, are net of revenues credited to Vote 1 and include Children's Special Allowance of $169,6 million and Energy Costs Assistance Measures of $357,7 million.

[2] Net cost of Operations (Expenses less Non-tax revenue) from the 'Statement of Operations – Agency Activities' on page 100 is presented on the accrual basis of accounting.

If you need more information, e-mail us at: annual.report@cra-arc.gc.ca or write to:

Director
Planning and Annual Reporting Division
Corporate Planning, Governance and Measurement Directorate
Canada Revenue Agency
6th Floor, 555 MacKenzie Avenue
Ottawa, Ontario K1A 0L5